Who Are These People?

Changing the Culture to Attract and Retain Millennials

Page 5
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THE MARYLAND MESSENGER
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Editorial Office, IIAM, 2408 Peppermill Drive, Suite A, Glen Burnie, MD 21061 phone 410.766.0600 • fax 410.766.0993 email shelley@iiamd.org • www.iiamd.org
15 MINUTES CAN SAVE ME 15% ON MY SMALL BUSINESS INSURANCE

Depending on the source, the answer will vary on the market share of premium held by direct writers, captives and independent agents. The biggest disagreement seems to be on the amount of personal lines held by each channel. Contrarily, there is a popular opinion that small businesses gravitate to independent agents. Further, there is a line of thinking that the smaller independent agent is the dominant player in the small, local business market. Large brokerages have undertaken small business units in many forms, with varying degrees of success. Seldom however, can the large enterprise, with numerous producers and cumbersome processes, overcome the tight economies and personal service requirements of small commercial business production and retention.

Captives and direct writers constantly attempt to make a bigger impact, but many independent agents don’t view most of them as serious competition. For me, as well as many other small agency owners, the value-add proposition is that just like our prospect/client we run our own small business suffering through the same ups and downs that they experience. Some captive agents are indeed running their own businesses, but they are often viewed by the small business owner prospect as having the substantial resources of a large fortune 1,000 company at their disposal.

All this to say that as a small agency, it might be tempting to conclude that we have small business “locked-up.” We would be dead wrong! You are undoubtedly aware of the new advertising from Geico and another large (mainly direct-writing auto) carrier targeting small business insurance. Likewise, you have probably been approached by your client, for whom you currently write the workers compensation coverage, asking for your thoughts on their payroll company’s claim that they can more efficiently handle that line of business. Take it one step further, and you may have wondered as I have, how far is that same payroll company from developing a payroll basis small business BOP product?

Let’s concentrate on the first example to make the point. Put yourself in the shoes of a successful small business owner driving down the road, the radio pronouncing that 15 minutes can save you 15 percent on your auto insurance. Is it too far of a leap to think to yourself, “Wait a minute, I own a large residence, a nice vacation home, a few expensive cars as well as cars for my kids, some jewelry and some expensive artwork. That’s a significant amount of premium, but it’s really not that much less than I pay for my business insurance. If my personal insurance is a commodity [it is, right? - sarcasm] then doesn’t it follow that my similarly priced business insurance is also a commodity? Do I really need an agent for my small business account?”

Although I wholeheartedly believe independent agents come up woefully short with rebuttals to the “personal lines is a commodity” argument, I’m more concerned that we have paid almost no attention at all to the coming impact to small commercial business. If all we are to the client/prospect is a middle-man, passing on a policy from a carrier and we are not adding true value to their interaction with our agency, we are doomed to either a slow painful death or a harsh quick end.

What are we as independent agents doing to explore what adding value – giving our clients and prospects a “Wow!” experience on each and every interaction – means? Do you participate in a master-mind group of agents? Do you regularly check in with the association on what tools they have to offer both on the national and state level? Are you asking your younger generation employees for their opinions on your marketing, processes, sales and servicing tools, and employee development methods? Are you looking outside our industry for fresh ideas to implement in your shop?

At the top of my computer monitor and on the dash of my car I have a post-it which says, “Do your job. Work at least one hour a day ON the agency.” It’s a reminder to me that I can only make significant strides by getting out of the day-to-day “weeds” and into “planting the seeds” of growth.

L.E. Goldsborough & Son, Inc.
405 E. Joppa Road, Suite 301
Towson, MD 21286
Telephone: 410-377-2111
Fax: 410-377-0003
Email: don@goldsborough.com
Sitting in the General Session of a large state meeting for insurance agents, I found my mind wandering. This was largely due to the 78 year old keynote speaker droning on about Additional Insureds Endorsements with visuals as creative as what would have appeared on a 1985 overhead projector. The speaker was very much respected and had earned his spot but, frankly, I found myself distracted by two round tables on the floor directly in front of the raised stage. Each table had, what appeared to be, college-aged students sporting golf shirts depicting their school colors. It quickly became clear they had been invited by the insurance Association to come to the industry Trade Show, enjoy a free lunch on the Association and hear an insurance icon drone on about...well, frankly, who cares. The point is, these were Risk Management Majors! Our future! Kudos to this Association for reaching out and inviting Risk Management students from their state universities to mingle among their “future peeps”.

Hearing something about “products and completed operations” coming from the podium, my eyes and mind continued drifting as I scanned the rest of the audience of around 250. And that’s when it hit me. It hit hard enough to hurt deeply and personally: Holy cow, I am getting old. I mean, REALLY OLD. And so is this entire industry I’ve been a part of for 35 glorious years. It was much like the realization I had at my 30th High School Reunion: if they look like that, I must look like them!

I had to look away. Let’s focus on those adorable kids again. And that’s when I thought I read the lips of one of those whipper-snappers saying to their friend: “What are we getting ourselves into? This looks like an AARP convention.”

But here is the point of this experience: the personal realization of mine at the demographics of the audience is the greatest news of all for any student thinking of starting a career in our industry. These kids, once they awaken from the droning of the podium, should high-five the fact they have won the “Career Lottery”!

According to the May 2015 issue of the Insurance Journal:

- Almost half of the insurance industry professionals are over the age of 45
- 25% of the industry is expected to retire by 2018
- By 2020, there will be more than 400,000 open positions

These are impressive stats to support any millennial considering career choices in our industry. Depending on your source, these folks (born between 1985 and 2000) are 75,000,000 to 90,000,000 strong. But, make no mistake about it: if you are a Boomer or Gen Xer, there is a big difference between you and “them”. And a lot of it is our own doing...

1. Shaped by parental excess (raised by parents who made more money than any other generation)
2. Comfortable with Team Work (organized activities began for many in the toddler years)
3. High self-esteem (don’t get me started)
4. Disdain for Corporate Greed (having lived through bail-outs and “Enrons”)
5. Most highly educated generation
6. Seek flexibility, independence and work/life balance
7. Adaptable to change
8. A culture of philanthropic identity – altruistic view of the world
9. More entrepreneurial and less process focused
10. Raised in an era of dramatic technological advances

So given the above 10 attributes and the fact that there are so very many of them hitting the job market, what are we as an industry doing to attract them? That, my fellow “Boomers”, is the rub.

I’m proud to admit, I’ve made a nice living over a 35 year career hanging out in the offices of Independent Insurance Agencies. I consider many of them close, personal friends. However, as a career marketing rep, many of the agencies I see in 2015 are still stuck in 1972. To this very day, I find myself sitting on uncomfortable chairs in wood paneled offices, still stained in Marlboro Lights, delivering Profit Sharing checks across...
Steelcase desks. It’s like a bad time warp episode from The Twilight Zone. And, inevitably, at some point during the meeting the agency principal will advise me they are looking for young producers and will ask me to keep an eye out for them in my travels. These are some of the same offices that close for lunch (seriously?), close early on Wednesdays and have comcast.com business email addresses.

In speaking with Risk Management Professors, they proudly and deservedly recite their job placement stats as badges of honor. Many Risk Management Departments have job placements in excess of 90%; however, over 80% are entering the Insurance Company side of our business (TYVM) and those graduates going into the Independent Insurance Agency side of the business, for the most part, share DNA with the agency principal’s hiring them!

But here’s the thing: 70% of today’s college graduates believe they will own their own business one day. That’s quite a dichotomy for those poor Risk Management Graduates who rush to grab those Underwriting jobs. Those college graduates should be running to the Independent Agency side with their great insurance knowledge and desire for change, diversity, flexibility, independence and disdain for corporate greed. So, why aren’t they?

For the most part, my Independent Agency friends have done a poor job of telling the story of the Independent Agency side of our industry. With the exception of the large brokers, I rarely see agencies fishing for candidates at University job fairs or seeking interns. Hang on…I can already hear your defense: “yes, but the Universities gear the students toward the Carrier side” and, for the most part, you are quite right. But I have two responses to the argument:

1. Who says you must only seek to hire Risk Management Majors? More and more the larger brokers are going to the Sales and Finance job fairs at the Universities because they agree with your perception of the carrier-steering in the Risk Management Departments. And stop selling the opportunity on the Agency side as “Sales”. These folks want to help people; not sell to people. Remember, we raised them to be more altruistic. You’re hiring for “risk managers” to help people in a time of crisis. This is an important paradigm shift that is long overdue in our industry.

2. Let the Carriers have the graduates that choose that direction. If, however, an Underwriter or Claims Adjuster is truly wired toward the 70% of millennials who dream of owning their own business (but at the time of graduation were too scared to take the chance due to their “helicopter mom” upbringing), they will eventually see your light (if it’s shining). Let them endure 2% merit increases over the years but be ready if their awareness of their plight rises to the level of their millennial DNA. Your preparedness will be vital when they realize your side of the business suits their millennial wiring more than their current circumstance. They can have the flexibility and independence we raised them to embrace with you. But if not you – and this is important - than another industry that appears more current, innovative and altruistic.

So, I urge you to take a good look at yourself, your office, your staff, your technology, your business model. Are you more “Mad Men” or more “Google” in appearance? Do you have a culture that is innovative, encourages fun, team work and training? Are you ready to pay them? I ask because many agencies that seek my assistance for finding them new producers are not. Placing a 25 year old on commission-only is a dangerous E&O proposition for the agency when a new/green producer has the stress of car payments and college loans. As one progressive agency owner who pays their new producers for the first year and then moves to a draw at the second year stated: “It’s pretty hard to focus when your hair is on fire.”

Are you ready to mentor, empower, coach, train-up, unleash, gently critique but publically praise the individual looking for a business just like yours? And do you honestly look ready for a candidate that looks just like them? Or do you look more like a business that is looking for someone who looks just like me? If so, I have some great ideas for this year’s Profit Share check as it slides across that Steelcase desk of yours.

Dorothy O’Brien Howell, CIC brings 35 years’ of Property and Casualty experience to her current position as a Sales Director for a large national carrier. Especially passionate about the Independent Agency distribution channel, Dorothy’s primary career objective is to assist agencies in driving increased revenues into their business as well as tap into a tenured career to bring value to the customer/agency experience. (follow me on twitter @dhowellcic)
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CITY OF BALTIMORE FLOODPLAIN MANAGEMENT UPDATE

Over the past decade, Baltimore City has seen an increase in both tidal and riverine flooding. In an effort to better prepared and adapt these floods and precipitated changes due to climate change, the City of Baltimore has taken proactive steps to incorporate higher regulatory floodplain standards. These three changes are important for relators and insurance agents to know:

1. The City regulates its floodplain to the extent of the 0.2% annual chance flood (500-year) citywide
2. The City regulates to the higher of the two tidal flood heights (500-year stillwater or BFE) identified in the Flood Insurance Study (FIS) and to the height of the 1% (100-year) annual chance flood in the riverine floodplain.
3. Baltimore City enforces a two-foot freeboard citywide

Beginning April 1st, 2015 the National Flood Insurance Program (NFIP) began implementing Congressionally mandated reforms required by the Homeowner Flood Insurance Affordability Act of 2014 (HFIAA). Owners of flood insurance policies have started to see annual rate changes. These changes will continue and are based on rate-increase limitations set by HFIAA for individual premiums and rate classes. More information can be found at www.fema.gov/flood-insurance-reform-rates-and-refunds.

In an attempt to offset the expected costs, the City of Baltimore recently applied to the NFIP Community Rating System (CRS). The Community Rating System is a voluntary incentive program that recognizes and encourages community floodplain management activities that exceed the minimum NFIP requirements. As a result, flood insurance premium rates are discounted to reflect the reduced flood risk resulting from the community actions. This will impact your work and your interactions with policy holders.

If you have any questions or would like more information on the City of Baltimore’s Floodplain Management program feel free to visit www.baltimoresustainability.org/floodplain
Customer Service Experience: Be Professional and Trustworthy

How do you measure your reputation with your clients?

Have you ever asked a client if they would continue to do business with you and your agency without qualms? Or if they would refer their friends and family to you without any hesitation?

If you have and they answered “yes,” you have already established an agency culture that creates trust and shows you care about how they view your agency.

But if you haven’t asked, or you have and received some not-so-positive responses, what can you do to become a trusted agency in your community with a stellar reputation?

1. **Always have your clients’ best interest in mind.** Be willing to forego personal gain to give your policyholders the best coverage at the best price. If you can’t help them with a particular need, don’t be afraid to refer them to someone who can.

2. **Keep your promises.** If you tell a client you can meet their coverage expectations or budget, back those promises up. They won’t forget if the price is higher or if you assured them a claim was covered, when in reality it isn’t.

3. **Be consistent.** An insured’s ability to trust you depends on consistent and persistent behavior. When a customer knows how you will behave, they are more likely to trust you.

4. **Keep the conversations real.** Every meeting should be a conversation, not a sales pitch. You should spend half your time with each customer listening, and be sure that the conversation is relevant and has substance.

5. **Be transparent.** Understand what it means to be transparent. Your clients are smart—they know when you are being truthful and upfront and when you’re lying. Don’t hide your mistakes and always address any issues or misunderstanding directly. Never avoid the topic and let them know what steps you’re taking to handle the issue and prevent it from happening in the future.

The latest from Best Practices Customer Service Experience monthly series is now available and provides other tactical ways to build the trust you want to have with your policyholders. This online guide will help you confidently and efficiently provide meaningful, valuable and profitable customer service—a foundational component of your business.
INSURANCE TWISTING

After deciding to write a response to some of the questions I’ve received about insurance twisting, I immediately thought of all of the great Chubby Checker and Isley Brothers references I could make. But then, as I was dancing around in my bobby socks brainstorming, it occurred to me…do people still get those references? Or, instead of writing about “twisting and shouting,” maybe I should instead reference those trendy frozen yogurt places, serving up twists of soft serve to the generation that prefers to “shake it off” rather than “shake it up baby.”

Generation gaps aside, twisting has its meaning in the insurance context as well. Insurance twisting occurs when a policyholder is induced through fraud or misrepresentation to cancel an existing policy and take out another policy with a different company. In continuing with the frozen yogurt metaphor, ‘twisting’ is not to be confused with “churning,” which occurs when the same company (or an insurance producer) uses misrepresentation to replace an existing policy with a new one from that company.

From my perspective, it is sometimes difficult to determine when a transaction is twisting or ordinary sales practices. After all, insurance producers attempt to sell products and often do a sales dance to get an insured to replace an existing policy with a new one. But two key facts can make an ordinary sell have the indicia of a ‘twist.’

First, in a classic twisting situation, the insured is not truly benefited by the induced changes; the coverages are usually the same or of a lesser benefit to the insured. Instead, the insurance producer reaps financially the benefits of the transaction, usually in terms of a new or possibly higher commission.

Second, there is generally an impermissible seduction by the insurance producer in the sales dance. In order to achieve the sale, the producer whispers sweet lies into the ear of the insured in an attempt to convince the insured to drop the old policy and buy a new one. Or the sales agent can softly blow a little hot air, suggesting that the insured not ask questions but simply trust him. Following the lead of the producer, the insured simply is led on a merry dance. At the end of this twisting dance, the insured is left with a new policy that might have more limited coverage or more restrictions than the old policy.

With life insurance policies, buying a new policy might result in the insured forfeiting the cash value or other benefits which accrued in the prior policy. In more extreme cases, the insured can be left without coverage because the new coverage does not properly attach and the old policy has been cancelled.

Maryland considers twisting to be an unfair trade practice. Section 27-213 of the Insurance Article prohibits an insurance producer from making misrepresentations or incomplete comparisons “about the terms, conditions, or benefits contained in a policy for the purpose of inducing or attempting or tending to induce the policyholder to forfeit, surrender, retain, exchange, or convert a policy or allow a policy to lapse.” An insurance producer that violates this provision could be subject to disciplinary action and, in the most egregious cases, have his license revoked. In addition, the producer could be subject to an errors and omission claim where the new policy does not provide the same coverage as the prior policy.

So what is the insurance producer to do in order to prevent the claim of twisting? First, the insurance producer should do a side by side comparison for the insured, explaining the key changes in coverage; the insured must be made to understand the benefits and detriments of the new coverage. Second, the producer must be able to articulate and describe how the new policy is of benefit to the insured; if the producer cannot do that, it is my view that the new policy should not be written. Of course, the benefit to the insured can be a lower premium, a better claims handling process, or even specialized coverage terms. This entire thought process needs to be documented. Most importantly, the insured should be told to review carefully all changes to make sure that the new policy fits perceived needs.

With a little diligence, an insurance producer can make sure that twisting stays where it belongs: on the dance floor...or in an oversized cup.
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Program Starts (First Class) January 27, 2016
Program Ends (Last Class) July 20, 2016

To Register: http://iiamd.org/event-2096405/Registration

ACSR –BOTH PROGRAMS

The program registration is only for those individuals who wish to earn their ACSR designation. If you are looking for CE only you must register for each individual seminar separately.

DEADLINE to register for program is January 15th

Time: 9AM-3:30PM (Ethics 311: 1pm-4pm)
Location: IIAMD Headquarters (2408 Peppermill Drive, Glen Burnie, MD.)
Course Material: Textbook and handouts. Material is handed out on the day of class.
CE: ACSR modules - 6 PC, Ethics 311 - 3 ET
Requirements: All those that register for the program are required to take the ACSR exam following each course.

♦ All exams are given at the conclusion of each course. You are required to take the exam if you registered for the entire program. You get one hour to complete the exam. If you were to fail the exam, retakes are available for a fee of $30.

♦ Registration is for one individual only. Substitutions are not accepted.

♦ Cancellation/refund policy: No refunds. No transfers. No substitutions. No exemptions!

♦ If you have any questions please feel free to contact the Education Director, Rebekah Langford, at rebekah@iiamd.org.
Medical Prices for Injured Workers Were Lower and Grew Slower in States with Medical Fee Schedules, Says New WCRI Study

Cambridge, MA. The prices paid for medical professional services for injured workers were lower and growing slower in states with price regulations in the form of professional fee schedules as compared with states that do not have them in place. This is according to a new 31-state study, Medical Price Index for Workers’ Compensation, Seventh Edition (MPI-WC), released today by the Workers Compensation Research Institute (WCRI).

“Increasing costs for medical care for treating injured workers have been a focus of public policymakers and system stakeholders. This study will help them understand how prices paid for medical professional services for injured workers in their states compare with other states and know if prices in their state are rising rapidly or relatively slowly,” said Rebecca Yang, a senior public policy analyst at WCRI and an author of the study. “They can also learn if the reason for price growth in their state is part of a national phenomenon or whether the causes are unique to their state and, hence, subject to local management or reform.”

The following are among the study’s findings:

• Prices paid for a similar set of professional services varied significantly across states, ranging from 33 percent below the 31-state median in Florida to 124 percent above the 31-state median in Wisconsin in 2013.

• Medical professional prices in states with fee schedules were relatively lower—the prices paid in states with no fee schedules were 27 to 139 percent higher than the median of the study states with fee schedules.

• Growth in prices paid for professional services exhibited tremendous variation across states, spanning between negative 20 percent in Illinois and positive 28 percent in Wisconsin over the time period from 2008 to 2014.

• States with fee schedules experienced slower growth in prices paid for professional services compared with most states with no fee schedules—the median growth rate among the fee schedule states was 6 percent from 2008 to 2014 compared with the median growth rate of 17 percent among the non-fee schedule states.

The MPI-WC tracked medical prices paid for professional services billed by physicians, physical therapists, and chiropractors. The medical services fall into eight major groups: evaluation and management, physical medicine, surgery, major radiology, minor radiology, neurological and neuromuscular testing, pain management injections, and emergency care.

The 31 states included in the MPI-WC, which represent nearly 85 percent of the workers’ compensation benefits paid in the United States, are Arizona, Arkansas, California, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New Jersey, New York, North Carolina, Oklahoma, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, and Wisconsin.


The Cambridge-based WCRI is recognized as the leader in providing high quality, objective information about public policy issues involving workers’ compensation systems.

ABOUT WCRI:
The Workers Compensation Research Institute (WCRI) is an independent, not-for-profit research organization.

(Con’t on page 14)
Our InsurPac Contributors: Your federal political action committee 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 is available on our website. The IIA Maryland, thanks to the efforts of Angela Ripley, our InsurPac chair, has met their contribution goals for the past four years. We thank our InsurPac contributors.

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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 MAPAC may be from the agency and/or individuals. Many agents contribute to MAPAC as part of their annual dues renewal. We thank our MAPAC contributors:

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Our Education Foundation Contributors: The IIA Maryland Education Foundation was founded over 10 years ago to assist college bound seniors taking insurance or risk management courses at local universities and colleges. The Foundation expanded during the tough fiscal times in 2008-2009 to assist those out of work but wishing to maintain their insurance license. The program was again called to action this year as IIA Maryland provided FREE licensing classes to Maryland veterans. Two programs were held with 23 veterans attending and passing the class. We continue to

(Con’t on page 13)
assist those unemployed. We thank our Education Foundation contributors:
A & W Insurance Services
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Maryland Insurance Agents Political Action Committee

MAPAC
Gives Agents a Voice in Annapolis

Purpose: MAPAC is managed at the state level by IIAM members. The PAC contributes to candidates for Maryland Senate and Maryland House of Representatives who support small business, the independent agency system, and a competitive insurance marketplace.

Giving: IIAM recognizes all donors.

Who Can Give: Businesses and individuals may contribute to MAPAC.

How to Contribute: Send a check made payable to MAPAC and send it to IIAM/PAC; 2408 Peppermill Drive, Suite A; Glen Burnie, Maryland 21061.

InsurPAC
Gives Agents a Voice in Washington

Purpose: InsurPAC is affiliated with the Independent Insurance Agents & Brokers of America (The Big ‘I’). The PAC contributes to Congressional and U.S. Senate candidates who support small business and the American independent agency system.

Giving Levels: InsurPAC recognizes donors who contribute at giving levels ranging from $150-$5,000.

Who Can Give: Only individuals may contribute to InsurPAC. Corporations are prohibited from contributing to a federal PAC.

How to Contribute: Visit and contribute through IIABA’s website at www.insurpac@iaba.net.

Questions, contact our PAC chair: Angela Ripley at 410-910-0212 or email her at aripley@vwbrown.com.
In Memory of Elmer J. Rhody, CPCU, CIC

Elmer J. Rhody passed away on December 19, 2016.

Mr. Rhody served in the US Army as a Technical Sergeant Headquarters Company, 2nd Battalion, 303rd Infantry, 96th Division from 1943-1946. He served at the Invasion of Leyte and the Invasion of Okinawa. He was honored with the Good Conduct Medal, American Theater Ribbon, Asiatic/Pacific Theater Ribbon w/Bronze Arrow, Phillipine Liberation Ribbon w/2 Bronze stars, WWII Victory Ribbon.

Professionally, Elmer J. Rhody, CPCU, CIC, entered the insurance business in 1947, fresh from a June graduation from the Johns Hopkins University, where he received his B.S. in Business Economics. His career began at the agency of Louis Gordon and Company, located at the Munsey Building at Fayette and Calvert in downtown Baltimore. Elmer entered the employ of Mr. Gordon and began his ‘life time work’. Here, with no insurance training or background, he became a sponge absorbing all he could of the business, the coverages and how to service his clients. He enrolled in night classes at Hopkins where fire and casualty courses were being taught. He began the CPCU (Chartered Property/Casualty Underwriter) program in 1948 and obtained his designation in 1950 from the American Institute for Chartered Property and Casualty Underwriters. He served as President of the Maryland Chapter of CPCU’s in 1953. In 1978 he obtained his CIC (Certified Insurance Counselor) from the National Alliance.

Mr. Rhody shared his enthusiasm and insurance knowledge serving on the faculty of the University of Baltimore in their business department, in the mid-50s.

He became the sole owner and principal of Louis Gordon and Company and moved the company to Timonium. The Louis Gordon Company was dissolved in 2001 and the business continued under his name, Elmer J. Rhody Insurance.

Mr. Rhody was an active member of many insurance trade associations, introduced to IIAM by Mr. Gordon who had been a member since 1929. Mr. Rhody served as our President (IIAM) in 1968 and continued to serve the association until his death. He was IIAM’s ‘Insurance Man of the Year’ in 1976 and received IIAM’s highest award, the ‘Lifetime Achievement Award’ twice, in 1995 and in 2006. He was instrumental in the association archive project and also installed IIAM’s new officers annually.

He was also an active member of the Insurance Roundtable of Baltimore, where he served as Chairman in 1990. The Baltimore Roundtable established their ‘Elmer J. Rhody Educational Award’ which was presented to Mr. Rhody in 2012. The award is accompanied by funds donated to IIAM’s Scholarship Foundation. It was established to recognize those instrumental is helping mentor and educate new people in the industry. Mr. Rhody was inducted into the Maryland Senior Citizens Hall of Fame in 2000.

Mr. Rhody continued to practice his trade until two years ago. He was the ultimate example of a good insurance agent, always putting his clients first and always willing to help those entering the business as well as those seasoned, but still needing a little guidance or push. The insurance industry in Maryland has lost a great mentor and leader. We will miss him.

Elmer is survived by his wife Dolores, his son Jeffrey and his daughter-in-law Laurie and grandsons Jake and Sam. He was laid to rest on December 21st at Mikro Kodesh Beth Israel Cemetery.
1 Senate Passes Omnibus Bill With Big “I” Priorities

Package contains two year delay of “Cadillac tax” and protection of policyholder assets.

WASHINGTON, D.C., — The IIABA praised the U.S. Senate for passing legislation that delays the Affordable Care Act’s (ACA) 40% excise tax or “Cadillac tax” as part of a larger bill to fund the government. The legislation passed the Senate by a 65-33 vote. The bill delays the “Cadillac tax” for two years and also enacts the “Policyholder Protection Act” which ensures that insurance companies will be able to operate as intended by making the protection of policyholder assets their first priority.

“The Big ‘I’ has been greatly concerned about the impact of the ACA’s 40% excise tax since the day the ACA was signed into law,” says Robert Rusbuldt, Big “I” president & CEO. “We believe the two year delay of the tax is an important first step, and independent agents around the country can rest assured that the Big ‘I’ will continue to fight to fully repeal the tax. We look forward to working with Congress in a bipartisan manner to ensure this tax never sees the light of day. Now that both the Senate and the House have passed this important legislation, we urge the President to promptly sign it into law.”

Originally scheduled to go into effect in 2018, the ACA would have levied a 40% tax on health benefits that exceed an established annual cost. That year, health plans exceeding $10,200 in value for individuals or $27,500 in value for families would have been subject to the tax. In the future, if enacted, this tax will impact a greater number of individuals while health care costs continue to rise.

“The Big ‘I’ supports this legislation to delay the ‘Cadillac tax’ for two years and would like to thank the nearly 40 Senators from both parties who have cosponsored legislation to repeal it as well as everyone who voted for the two year delay,” says Charles E. Symington, Big “I” senior vice president for external and government affairs. “We would especially like to thank Sens. Dean Heller (R-Nevada), Martin Heinrich (D-New Mexico) and Sherrod Brown (D-Ohio) for their tremendous leadership on this issue. Without their efforts, this two year delay would not have been possible.”

The Big “I” also appreciated the inclusion of the “Policyholder Protection Act”, a bill which passed the House in November with the association’s support. The “Policyholder Protection Act” prevents federal banking regulators from transferring the assets of a state regulated insurance company or subsidiary to an affiliated bank if state insurance commissioners believe such a transfer would be harmful to policyholders.

“The passage of the ‘Policyholder Protection Act’ further exemplifies Congress’ commitment to state regulation of the insurance market,” says Symington. “This bill defends policyholder assets and ensures that carriers will be able to operate as intended by making the protection of policyholder assets their first priority.”

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2 New Online Video Tutorial!

Flood Insurance Manual Change

Video: http://www.fema.gov/media-library/assets/videos/111998

More change is coming to the NFIP as a result of two recent acts passed by Congress. This new video summarizes the changes that took effect on November 1, 2015. Many of these changes are a result of the implementation of the Homeowner Flood Insurance Affordability Act of 2014 and the continued implementation of Biggert-Waters 2012.

What You Will Learn

This video covers important NFIP changes including new Non-Residential categories, new guidance for determining a Primary Residence, revised rate tables for certain Post-FIRM buildings, and revised ICC rates. You’ll also learn about modifications to the underwriting forms, Floodproofing Certificate, and the endorsement and cancellation refund rules. And finally, something that is not part of
the November 1 program changes but also coming soon: a new FEMA Elevation Certificate incorporating a new building diagram.

**Suggested Additional Reading**

FEMA periodically issues WYO Program Bulletins related to recent legislative changes and clarifications to the NFIP Flood Insurance Manual. The bulletins are posted at [http://www.nfipiservice.com/nfip_docs.html](http://www.nfipiservice.com/nfip_docs.html).

**Big “I” To Host Political Panel Featuring Bob Beckel And Tucker Carlson**

Commentators to discuss current political landscape at annual gathering of agents and brokers

WASHINGTON, D.C., — Veteran Washington insiders and political commentators Bob Beckel and Tucker Carlson will headline the political panel at the Independent Insurance Agents & Brokers of America (IIABA or the Big “I”) annual Legislative Conference this spring.

Beckel, a Democrat strategist, is a commentator for CNN and served on numerous presidential campaigns and administrations. Carlson, known for his perspective from the right, is a veteran journalist and political commentator who co-hosts the show “Fox and Friends Weekend” on Fox News Channel. The political panel will be held on Friday, April 15 at 8:30 a.m. ET at the Renaissance Washington, D.C., Downtown Hotel and will be moderated by Robert Rusbuldt, Big “I” president & CEO.

“Bob Beckel and Tucker Carlson are two of the most animated and well-respected political voices in the country,” says Rusbuldt. “They bring intellectual curiosity and perspective to the national political debate. Attendees at the Big ‘I’ Legislative Conference will learn from these insiders who have their fingers on the pulse of our nation’s political trends, leaders and decision-makers. We look forward to their insight from opposing sides of the political spectrum on the presidential and congressional races, as well as on a variety of issues critical to independent agents and brokers, such as health care, taxes, insurance regulation, and much more.”

Beckel is a CNN commentator and co-columnist for USA Today’s ‘Common Ground’. He has decades of experience in the White House, on Capitol Hill and on the campaign trail. He started his political career on Robert Kennedy’s 1968 campaign and served in the Carter administration as deputy assistant secretary of state. Beckel’s political resume includes dozens of Democrat campaigns including Walter Mondale’s presidential bid. He’s also a sought after voice from the left and has co-hosted and/or appeared on dozens of television shows including FOX news, CNN’s Crossfire, CBS’s This Morning and CNN’s Larry King Live. Beckel is a graduate professor in advanced political strategy at George Washington University.

Carlson is a veteran journalist and political commentator. He is the co-host of “Fox and Friends Weekend” and the editor-in-chief of TheDailyCaller.com. Carlson joined Fox from MSNBC, where he hosted several programs. Previously, he was the co-host of Crossfire on CNN and also hosted a weekly public affairs program on PBS. A longtime writer and journalist, Carlson has reported from around the world. He has been a columnist for New York magazine and Reader’s Digest. He currently writes for Esquire and The New York Times magazine. Carlson began his journalism career at the Arkansas Democrat-Gazette newspaper in Little Rock.

The Big “I” Legislative Conference is the insurance industry’s best-attended, most effective legislative meeting. This year’s event will take place April 13-15 at the Renaissance Washington, D.C., Downtown Hotel.
A special ‘hats off’ to Lou Novick and the Novick Group, Inc., which were named Insurance Journal’s ‘2015 Best Agency to Work For’ East Region.

The Novick Group is located in Rockville, Maryland and has been a Maryland Big ‘I’ member since 1995. The agency was founded in 1987 by Principal Lou Novick and specializes in providing comprehensive property/casualty insurance services to the nonprofit community.

The Novick Group and its 17 staff members serve more than 1,000 nonprofit clients around the country. Not only do they write the nonprofits, they support the nonprofits, through participation in fundraising events and sponsorships and contributions throughout the year.

Employees call it a ‘family-friendly’ workplace where everyone, no matter what their positions are in the agency, is valued as individuals and for their contribution to the success of the agency. The agency works to accommodate personal needs by providing flexible work schedules and ample education and training opportunities.

“I am really fortunate to have these employees. I’ve run out of ways to say thank you,” said Novick.

IIA Maryland congratulates The Novick Group for a job well done!

Big “I” Applauds Senate’s Protection Of Crop Insurance Program

Highway bill that restores funds to crop program heads to president’s desk.

WASHINGTON, D.C.,—The Independent Insurance Agents & Brokers of America (IIABA or the Big “I”) applauds the U.S. Senate for December’s passage of a five year highway bill that includes a provision to restore $3 billion in cuts to the budget baseline of the Federal Crop Insurance Program (FCIP).

The “Bipartisan Budget Agreement” negotiate last month reopened the Farm Bill and made significant cuts to the FCIP despite strong opposition from the leaders of both the Senate and House Agriculture Committees. The magnitude of the budget cuts would have led to a drastic reduction of services in the crop insurance marketplace, including the possible consolidation or elimination of some crop insurance companies.

“The Big ‘I’ was very supportive of the 2014 Farm Bill and that compromise included carefully negotiated changes to all agriculture programs done in a holistic way,” says Charles Symington, Big “I” senior vice president of external and government affairs. “Independent agents are uniquely skilled and knowledgeable about the intricacies of the crop insurance program,” continued Symington. “Jeopardizing the program and its delivery system would have left farmers without adequate risk management tools to protect their land and their investments. This would have opened the door to additional taxpayer exposure should disaster strike. We applaud Congressional action to restore this critical funding to the program.”

The crop program is an essential insurance product that which has been protecting America’s farmland for more than a quarter century. The Big “I” urges President Obama to quickly sign this legislation into law.
Chesapeake Employers Appoints 3 Vice Presidents

(TOWSON, Md.)—Chesapeake Employers’ Insurance Company, Maryland’s largest writer of workers’ compensation insurance, announces the following promotions:

Carmine D’Alessandro was recently promoted to Vice President of Legal Services. In this position, Carmine is responsible for overseeing the day-to-day operations of the Legal department, Special Investigations Unit and the Subrogation department at Chesapeake Employers Insurance. He also acts as advisor to the Claims department and assists with legislative and regulatory matters.

Lisa Kruska was recently promoted to Vice President of State of Maryland and Strategic Business Units (SBU). In this position, Lisa is responsible for leading the company’s State of Maryland claims and risk management programs as well as the SBU, which is a multi-disciplinary team specializing in providing focused service for governmental and direct policyholders.

Sharon Rowell was recently promoted to Vice President of Marketing and Business Development. In this position, Sharon is responsible for leading the development and implementation of the company’s marketing strategies, formulating agency business plans, and managing the day-to-day functions of the department. She is also charged with overseeing all agency management functions.

About Chesapeake Employers
Chesapeake Employers’ Insurance Company is Maryland’s largest writer of workers’ compensation insurance. It is a nonprofit, non-stock, private corporation. Formerly known as IWIF, Chesapeake Employers has served as a continuous, guaranteed source for fairly priced workers’ compensation insurance since 1914.

The Maryland Insurance Administration Welcomes Seven Insurance Companies to Maryland Marketplace

BALTIMORE – The Maryland Insurance Administration (MIA) announced seven new insurance companies are approved to offer workers compensation and life insurance products in Maryland.

“Our goal is to increase options for Maryland consumers; increased competition results in better customer service and eventually better pricing,” Maryland Insurance Commissioner Al Redmer, Jr. said. “When insurance companies decide to increase their footprint in Maryland that is a sign of a healthy marketplace.”

The MIA granted Certificates of Authority to the following companies:

• NorthStone Insurance Company, State of Domicile: Pennsylvania; $24 million in premiums as of 2014
• PinnaclePoint Insurance Company, State of Domicile: West Virginia; $28 million in premiums as of 2014
• SummitPoint Insurance Company, State of Domicile: West Virginia; $31.5 million in premiums as of 2014
• MEMIC Casualty Company, State of Domicile: New Hampshire; $9.4 million in premiums as of 2014
• Southern Insurance Company of Virginia, State of Domicile: Virginia; $75.2 million in premiums as of 2014
• Explorer Insurance Company, State of Domicile: California; $60.8 million in premiums as of 2014
• Assured Life Association, State of Domicile: Colorado; $55.7 million in premiums as of 2014

The companies will market their workers compensation products through brokers and independent agents.
The holidays are over.
by Scott Zilber

Oh, they were a blast: the office parties, the food, the family festivities, the food, decorating the house, the food, etc.... Hopefully you had a wonderful 2015 but now 2016 is here and it is time for the age-old tradition of New Year’s Resolutions.

Most of us make a list every year and some of the most common resolutions are:

**Personal**
- Exercise More
- Eat a healthier diet
- Spend time with family and friends
- Finish that “To Do” list from 2015

**Business**
- Work Smarter
- Increase Revenue
- Improve Retention
- Finish that “To Do” list from 2015

Time to unwrap your opportunities!

As much as we would love to, we can’t directly help you with those personal resolutions. However, we are here to help you achieve your business resolutions; in turn, freeing up time and resources to accomplish all of your 2016 goals.

In past 4 years we introduced you to Belman Klein Associates, a Maryland based, full-service Brokerage General Agency. We also discussed the opportunity that lies within your current book of business and a few simple sales ideas to get you started.

Throughout 2016 we want to help seize these opportunities and work together on a plan that will allow you to work smarter, increase revenues and improve retention. Those last three goals could be on that “To Do” list from 2015 so maybe we can knock that one out as well?

A good business plan is crucial to any sales person and the best way to layout your attack for 2016. Below are 3 key elements you should focus on while formulating your business plan for Life and Long Term Care.

1. **Market Analysis**: Analyze your current book of business to identify potential sales opportunities by market segment and the unrealized revenue potential those opportunities represent. Define your target clients for 2016. These may be personal lines, commercial lines clients or target clients you have not yet insured.

2. **Approach**: Determine how you will approach the opportunities you have defined in your market analysis. Will you use print, email or a calling campaign? Some firms have found the most success by approaching their clients during their quarterly or semiannual review. Will you partner with a specialist to help close non-core business?

3. **Technology**: Many new opportunities in Life, Disability and Long Term Care insurance are technology based. New technologies have paved the way for accelerated underwriting and in some cases this can reduce the application process to 5 business days without the need for exams. Several carriers now offer drop ticket solutions that include electronic signatures and electronic delivery drastically reducing the time-cost associated with policy placement.

4. **Partnership Alignment**: Find a partner that can clearly define how they can help market your message, close sales and save you time. Look to peers who have successfully increased their revenues through Life Insurance and Long Term Care sales or to the leadership of professional organizations for their recommendations.

**How do I get started?**

Our mission is to help Independent Agencies seamlessly integrate life, long-term care and disability 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.

We want to make this your best year yet. Please contact us at Belman Klein Associates Ltd. We are prepared to work with you and the producers at your agency to prepare a real business plan that will help you detail and successfully implement this opportunity.

**Belman Klein Associates and the IIAMD**

As an associate member of the IIAMD we look forward to working with members to help them round out their business by partnering to bring our services to their clients. In 2016 we will continue our Life Insurance Made Easy series in the Maryland Messenger and continue to offer free life insurance continuing education credits to IIAM members.

For more information contact Scott Zilber at szilber@belmanklein.com or 1-800-729-6007
Insuring a Vacant Property

A doctor working with a non-profit group was sent overseas to Africa to help establish a medical clinic. He owned a large home on Long Island. Coincidentally, his long-time insurance agent and good friend was also part of the non-profit group who travelled to Africa. The agent, aware that the doctor would not be living in the home for an extended period of time, suggested an alternative to his current homeowner’s policy. The agent advised the doctor that he should purchase a vacant home policy which would provide him full coverage in the event of a loss while the home was unoccupied. The agent procured a DP-1 dwelling policy for the doctor.

That December, while the doctor was still in Africa, the New York area suffered a significant freeze. The water pipes in his house froze, causing significant flooding and $200,000 in damage. The doctor was shocked to discover that he had no coverage under the dwelling policy as he assumed the coverage was the same as the insurance policy he had when he was living in the home. He was unaware that the DP-1 policy covered essentially only damage caused by fire and lightning.

Outcome
The doctor sued his long-time insurance agent for the losses he suffered related to the freeze. At trial, the doctor argued that the agent failed to procure the proper coverage, arguing that there was broader coverage available in the market for vacant properties which would have covered the loss. He further argued that the agent advised him that the DP-1 policy would provide him with “all the coverage” that he would need.

In his defense, the agent argued that the doctor was very cost conscious and that if offered, a DP-2 or DP-3 policy would’ve been rejected by the doctor because of cost. The agent further argued that the doctor had a duty to read his policy, which clearly excluded loss due to freezing pipes.

The verdict was in favor of the doctor, awarding $150,000 in damages. When polled, the jury explained that while the doctor certainly had a duty to read his policy to better understand the coverage, he relied on his long-time friend and insurance agent to procure the broadest coverage, noting that the doctor testified that he would procure him full coverage. The jury further advised that the difference in cost between a DP-1 and DP-2 policy was not significant and, at a minimum, the coverage should have been offered.

Key Take-Away
E & O claims involving vacant property are on the rise, probably largely due to economic conditions as businesses close, tenants move or leave, and homeowners face economic hardships. Product knowledge, offering choices to the client and keeping excellent file documentation help protect an agent, broker or agency in the event their client’s risk involves vacant property.

Lessons Learned
• When you are aware that a client’s property will be vacant beyond the period of time for which coverage under their current policy may afford coverage, it is important to understand the implications, and as a best practice inform the client.
• Not all policies for vacant property are the same. Understand the differences and offer an array of options to the client.
• Don’t assume a client wants the cheapest option for coverage (even if that may be true). Document an offer of the broader coverage, even if it is more expensive. If the client rejects that option, and it is documented, this will help defend against an E & O claim.
• Don’t tell a client they have “full coverage,” or that you will procure “full coverage.” Every policy has limitations. When there is a request for “full coverage,” and there are key restrictions in the policy, it is best to point those out in writing or at a minimum direct the client to read the policy and let you know if they want any changes.

This article was written by Fireman’s Fund Insurance, one of our Errors & Omissions Insurance partners. This publication provides general information and recommendations that may apply to many different situations or operations. Any recommendations described in this publication are not intended to be specific to your unique situation or operation. Consult with your staff and specialists to determine how and whether the information in this publication might guide you in developing specific plans or procedures for your situation or operations. This publication does not substitute for legal advice, which should come from your own counsel.
Improving Commercial Lines Account Marketing

By Kel Plasket, CPCU, AAI

Is your agency experiencing a little stress getting business placed in today’s marketplace? Have putting out fires, meeting last minute deadlines and jumping through hoops become commonplace with your renewals? Has the staff’s daily routine been dictated by constant turmoil? Is it difficult to keep up with the rapidly changing markets and underwriting guidelines? Does the staff really look forward to coming to work every day? If any of this sounds familiar, welcome to the independent agency experience.

The good news is that it doesn’t have to be like this! Let’s first take a look at what causes an agency to be placed in this position. The renewal process starts when the monthly expiration list is distributed – typically anywhere from 90 to 150 days prior to the renewal date. Many times, this list sits without being looked at for the next 30-60 days. There is inconsistency among account managers within most agencies as to what is done with the list. Some order loss runs; some have marketing strategy meetings; some send information gathering packets to the client or set up an appointment to review the account; and some just allow the account to renew as is with limited to no client contact.

Many agencies rush to send incomplete applications to numerous carriers to block the competition from quoting. Many of these submissions contain last year’s underwriting information because “there has not been time” to gather updated information or “the client has not been responsive” to requests. There is also an excessive amount of remarketing being done. This begins the time consuming process of back-and-forth phone calls between the underwriters, agencies and clients as they attempt to piece together a viable submission that contains all of the required underwriting information and associated supplemental applications to get an accurate quote.

The continuous last minute urgency in beating the renewal date deadline causes a lot of frustration in many agencies. The account managers have become more like clerical paper pushers instead of professional insurance consultants. They have lost control of their desks and daily processing backlogs have become the norm. As a result, true, pro-active client service suffers.

Causes of CL Processing Problems

Of course there are some underlying reasons that cause most of these problems surrounding the marketing of renewals:

- Lack of ownership of the renewal process
- Absence of a strict renewal timeline
- Inconsistencies in how accounts are handled and who handles them
- Limited accountability
- Poor data integrity (staff does not trust the data on the agency management system)
- Client underwriting information is stored in numerous places
- Multiple carrier submissions are being sent with the prospect of only receiving a minimal number of quotes
- Proposals do not adequately prefill from the database and
- Paper processing backlog continues to increase.

While staff tends to blame the carriers for delays, the truth of the matter is that the agency has the ability to be in total control of every piece of the renewal process except the time frame for receiving quotes from the carriers and receiving the actual renewal policy. Many agencies have difficulty in seeing this because no one has taken full ownership of the renewal process.

Owning the Renewal Process

The account managers need to own the renewal process. By this I mean they must control, complete and/or delegate each task of the renewal process to ensure the various specific timeframes are met. One individual – totally responsible for making sure everything comes together when it’s supposed to. This assigns accountability and eliminates overlapping of roles between producers, marketers, account managers and account assistants.

The account manager (or delegated individual) should:

- Send submissions to only the carriers that can be responsive to the clients’ coverage needs
- Remarket only those accounts where the premiums and/or coverages can truly be improved
- Evaluate the true need for spending significant time quoting multiple markets
- Work on building a stronger client relationship in order to minimize the time spent remarketing with numerous carriers over and over again.

Consider developing a Stewardship program for larger accounts. This will enable the agency to stay in contact with the client more consistently throughout the year and make the renewal process less of a burden. It also places an emphasis on the client relationship and redirects the

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focus away from renewal dates and anticipated price increases.

Renewal Timeline
Create a renewal timeline that identifies specific tasks, responsibilities and roles. Organize the best use of the staff’s time throughout the year to maximize productivity and growth opportunities. The appropriate renewal timeline for your agency should be created by looking at the renewal process in reverse order. Decide when you would like to receive your renewal policies from the carriers and then work backwards to determine when:

- You need to bind coverage
- You need to put your proposal together
- You have to have your quotes from the carriers
- Your submission must be sent
- You must have collected the updated renewal information from your client
- You must hold your renewal strategy meeting, and finally when
- You need to run the expiration list in order to accomplish all of the above time frames you have set.

The best proven time frame for beginning the renewal process is 120-150 days prior to the renewal.

Whoever is responsible for collecting updated renewal information from the client should be held accountable for:

- Gathering all necessary information (including supplemental applications) within the specified time frame
- Communicating with clients to stress the importance of gathering data earlier to enable an opportunity to provide better rates, carriers, coverages, service, etc. and
- Creating templates that make it as easy as possible for the client to provide updated information within the required timeframes.

As information is received, the account manager should update the agency management system immediately. This will make the submission process an easier task. Your underwriters will look forward to receiving timely, complete and accurate submissions. Eventually the agency will begin to receive quotes sooner than the current experience.

Keeping Renewal Information Together
Information management is instrumental to the renewal marketing process. All client underwriting data regarding the marketing process should be kept in one place that the staff agrees to use. This will make it easier to review an account, create and track carrier submissions, and put a final proposal together for the client. Use of the agency management system, scanning system or a combination of both will work as long as the process is standardized within the agency. Some agencies use a “Marketing Analysis Document” (a plain Word document) or “Marketing Activity” to record all pertinent information for every carrier submission in one place. This makes it easy for anyone to find the immediate status of the account. Many agencies have implemented a specific scanning procedure for their marketing process. Documents included in the submission are scanned to a “submission file” and then e-mailed to the underwriter as an attachment.

Agency Proposal Templates
When all of the quotes are finally received from the carriers, it is time to put the final proposal together for the client. There should be an agency proposal template that prefills all client data directly from the agency management system that limits the need for corrections and rewrites. The agency should not allow the “core” proposal to be altered, but additional pages can be added as necessary to customize for a specific account, including the attachment of schedules electronically. The entire process for creating a final proposal should not take a lot of time.

After coverage is bound and the renewal policies are finally received from the carrier, they should be processed immediately (verified, invoiced, agency management system updated, cover letter written, etc.) and sent out to the client. The worst thing to do is to put them in a pile until all of the policies are received for that account. This immediately adds to the backlog, makes it difficult for the accounting department to reconcile the account to the carrier statement and does little to improve the service to your client. If the client wants to receive all policies at the same time, the agency should still process each policy upon receipt to ensure any needed corrections are ordered immediately.

Centralized Marketing
The concept of “Centralized Marketing” is taking a foothold in a number of agencies. Marketing responsibilities are handled by a marketing person or department as opposed to having account managers and producers involved in the marketing process. This allows the staff to focus on their strengths, improves carrier relationships, raises the level of client service and creates capacity within the organization. Carriers actually like to limit their contacts within an agency as it improves communication tremendously. The challenge for the agency is to determine exact transition points when responsibility is transferred from producer to marketing to service staff. In most agencies, a centralized marketing department is primarily created to handle new business submissions. As the comfort level and expertise increases, the remarketing of larger renewals is added to the department’s responsibilities.
(Con’t from page 22)

New Business Marketing Plan
The agency should also have in place a new business marketing plan. This document describes the type of business the agency wants to write, but more importantly, it lists the types of business that should not be written. Do not be afraid to walk away from new business if it does not fit within your marketing guidelines. I have seen so much time and effort wasted on attempting to place accounts that are outside of the agency’s capabilities. Either the agency does not have the standard markets to write the account adequately; or there is a lack of in-house expertise to service it properly; or there is not enough lead time to develop an adequate submission.

Successfully Managing Change
The most difficult part out of all I have discussed above is to get the staff and producers to change the way they are currently doing things and adopt a consistent process. Don’t expect them to do it on their own. Someone needs to be assigned to monitor the entire process to ensure that the agency’s new standards, time frames and roles are being maintained. A strong quality management program that holds staff accountable for their actions and non-actions will meet with great success.

Please keep in mind that an effective marketing process is not achieved overnight. Routine meetings and open communication with the staff and carriers is essential. The agency’s management team must also continuously support the process by providing the tools and leadership required to implement these changes. Many agencies across the country have already successfully met the challenge. With the current economy, now is the best time to set the wheels in motion for your organization.

Kel Plasket, principal of Operations Management Consulting, LLC, is a consultant specializing in insurance agency operations management. He works with agencies to increase their growth, productivity and profit through analysis, solutions and implementation. He can be contacted at 256-765-9953 or kplasket@hughes.net. Kel produced this article for the Agents Council for Technology (ACT), a part of the Independent Insurance Agents & Brokers of America. For more information about ACT, visit www.independentagent.com/act or contact Jeff Yates, ACT Executive Director here. This article reflects the views of the author and should not be construed as an official statement by ACT.
**Around the E&O Corner: Back to Basics**

By Stanley L. Lipshultz, JD, CPCU

Be careful what you wish for. If your agency website provides the means for a prospective insured to complete a basic questionnaire identifying the type of insurance being sought and requesting a quote, use caution when responding. Recently an agent was requested to provide a quote for a number of different properties, both commercial and residential, one of which was unoccupied. The prospective insured wanted a quote for liability only, suggesting that there were sufficient funds to self-insure the properties. The agent phoned the prospective insured seeking additional information about the properties and proposing that property coverage should at least be considered. After a brief five minute exchange, dominated by the prospective insured, the caller disconnected. Several days later the agent received a letter from the Maryland Insurance Administration attached to which was a “complaint” filed by the now-no-longer-prospective insured. The basis of this complaint was that the agent had refused to provide a liability quote placing the inquiring person “at considerable peril by not allowing [him] to insure [his] 14 rental units against liability.” A proper response was submitted to the MIA*. This scenario raises several questions: (1) was this “twisting”? (2) is an agent required to provide a quote at all?; (3) if monoline quotes are eventually provided, can the insured choose which lines of business to select?; and (4) can the agent “walk away” from an abusive insured if the company non-renews?

(1) “Twisting” is defined in §27-213 of the Insurance Code: A person may not make, issue or cause to be made or issued an oral or written statement that misrepresents or makes incomplete comparisons about the terms, conditions, or benefits contained in a policy for the purpose of inducing or tending to induce the policyholder to forfeit, surrender, retain or exchange, or convert a policy or allow a policy to lapse. Suggesting that a prospective insured consider other lines of insurance in addition to a specific request is not twisting. The contents of a written proposal seeking to subtly convince an insured to purchase other lines of insurance such as Crime, E&O, D&O, or EPLI is not twisting either. Discussing property coverage in addition to the requested liability coverage in this instance demonstrates professionalism and concern for the client. In the end, it is the client who makes the decision – and that decision should be an informed decision.

(2) Do you have to provide a quote because of a response to your “solicit a quote” button on your website? The answer is “probably not.” No one wants to turn business away, so the first step is designing the button to provide you with enough information from the inquirer to decide whether to respond. If the prospective insured in our scenario had provided all of the information which ultimately came to light, there most likely would have been a negative response. Alarm bells should start to ring when an immediate quote is sought for liability or property coverage for unoccupied or difficult to place risks. Another red flag: “I already have quotes from other agents at $X.” Do not take the bait, suggest that the other agent’s quote be accepted. A simple “we do not have markets to satisfy your quote request” should be sufficient.

(3) The client always makes the decision on what insurance coverage and limits should be purchased. The agent should not. Even if the insured seeks your input, remember to provide layered suggestions, especially as to limits and counsel the insured that all decisions must be made by him or her. If your recommendations are not followed, ask the insured to complete a rejection of coverage letter or some other means generated by the insured (not you) confirming a rejection of your recommendations.

(4) Discarding an abusive insured can be and should be done. Rather than repeat what Bill Wilson and the VU experts have opined, see “How to Fire a Customer” [http://www.iaba.net/VU/NonMember/article3.htm].

*The MIA’s finding on the matter was that the agent’s actions were not shown to be in violation of Maryland Insurance law. The matter is open pending the complainant’s right to a hearing of which they have 30 days to file the request.
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Sharon Gardner, ACSR, AAI
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February 3, 2016
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Don Dudey, CPCU
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