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THE INDEPENDENT INSURANCE AGENTS OF MARYLAND, INC.

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PRODUCER’S OLD HABITS

I once read a remake of the great movie scene out of the 1992 movie, ‘A Few Good Men’, where Marine Corps Colonel Jessep (Jack Nicholson) dresses down Navy Lt. Kaffee (Tom Cruise). In part, it went like this:

Service person: “I want the truth!”
Producer: “You can’t handle the truth!”
Producer: (continuing) “Son, we live in a world that requires revenue and that revenue must be brought in by people with elite skills. People who thrive on cold-calling, rejections and false promises. Who’s going to find it? You? You, Mr. Operations? We have a great responsibility more, than you can possibly fathom.”

It gets better, drop me an email and I will send it to you. My point is that as sales people we believe that we understand the intricacies of all aspects of the client acquisition process. Just by being “out there” we have somehow, by osmosis maybe, picked up a keen sense of every nuance. We think of ourselves as the innovators who are most closely in touch with the client’s needs, wants and desires. But are we ignoring a valuable resource by not continually checking in with CSR’s and account managers. The discussions they have with the client and other members of the client’s staff are often very different than ours, and I’m not speaking about underwriting or COPE information.

For example, cyber insurance, in all its various forms, has been around for a while but has only in the last few years, with the daily media reports of large breaches on every retail corner, moved up in prominence. Like you, I have fine-tuned my sales discussion to the coverage and products, claims scenarios and idiosyncrasies of each company offering. But not until I stopped and listened to what my account managers were talking about and what they were including in my proposal packets did I stop and realize I had been missing something. I had been missing the point that many clients and prospects were as interested in the risk management tools offered by the insurer as they were the protection. I had not been listening closely enough to the client. Meanwhile, it was top of mind for my staff. Have you created an environment where staff feels they can contribute to the sales process? I have always been a believer that great sales people are born and not made and that most organizations have their best sales folks sitting at their desk rather than interacting with clients. We are long past the days of the back-slapping drinking buddy. The 21st Century sales person, just as our perceptive agency staff, are more in tune with the client.

Next sales meeting, call in a few account managers, tell the producers to keep quiet and ask some open ended questions. I’m pretty sure you will hear some things that will be not only surprising, but worthwhile toward your efforts to get and keep good clients.

TIP: Speaking of cyber, if your agency has not compared your current breach insurance coverage to the Independent Agent program, give Carla (410-766-0600) a call. You will be surprised at the comprehensive coverage at a great savings.

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Every agency will inevitably have to deal with an upset customer at some point in time. Your challenge: to handle the situation in a way that leaves the customer satisfied. If you’re lucky, you can even encourage them to serve as a passionate advocate for your agency going forward.

Is your agency prepared to deal with a call from an upset client, a major fire at an insured business or simply a negative online review about your sales or service? These unexpected challenges require internal planning and discussion to ensure a timely and effective response.

You and your customer service staffs’ ability to effectively deal with customer complaints provides a great opportunity to turn dissatisfied customers into lifelong customers. Here are some tips to help ensure that you are ready to help when a complaint is made:

- LISTEN…hear what they have to say and don’t interrupt until they are finished. Don’t get defensive nor take the complaint personally and don’t jump to conclusions.
- Once they have finished, repeat back what you heard and ask questions to better understand their perspective. You want to solve their problem, not argue with them, so empathize and look for ways to solve the issue.
- Remember that an apology will often diffuse the situation. Don’t place the blame on another person or department. Simply let them know that you are sincerely sorry for the issue that is causing them concern.
- Work with the customer to find an acceptable solution and you can start by asking them “What would be an acceptable solution to you?” They may not know, but making them a partner to solve the issue will assure them that you care about them and the outcome. Be prepared with a few solutions of your own to offer the client to consider.
  - If you need to work with someone else internally to solve it, do so quickly! Remember that customers prefer the person they are speaking with to be able to solve their issue. When complaints are sent upstream to be handled by others, it only adds to the customer’s frustration.

There is no getting around customer complaints. But, if you and your service teams use these tips to navigate through the client’s issues you can turn challenges into growth opportunities.

Social Media Scares

Negative news

Even if your agency isn’t using social media, someone is online talking about you. Wouldn’t you like to be part of that dialogue? Wait and it could be too late.

If you aren’t already engaged online and talking about your brand, just one negative news story can be rocket to the top of the search engine results.

Every mention and every connection you create in cyberspace creates a rich network of brand content.

If you haven’t established your own content and claimed an online foothold for your brand on your own terms, it can become extremely difficult to make up lost ground later.

Professional Response to a Negative Review

So, someone posted a review on a social media site pointing out some a bad experience they had with your agency…what do you do?

Keep your composure and never engage in a virtual shouting match with someone online, even if the post was off base or even false. If the post is threatening or in some way may violate the Terms of Service for the site, flag it for the site’s support team to review and possibly have it deleted.

Be civil and professional in your response to any online review. Give your professional perspective of the situation and offer a solution. It is important to show others that you have taken the time to address the poster’s concern and have taken steps to solve the problem. If the poster is someone that you know professionally or personally, consider a private message or outreach through another method to discuss.

Don’t respond to one compliment or compliant, but not others. Consistency is critical to establishing your online reputation! Consider having the marketing department be in charge of monitoring and responding to online posts about your agency.

Disaster Communication

Social media can also prove an important tool for reaching customers during disasters.

(Con’t on page 6)
Even when phone lines or power are interrupted, smart phones often still work.

If you have generated a strong following online or have a contact list of customer cellphone numbers, you can maintain important communication during particularly difficult times. This is when your value as an agency can be solidified for life.

Important Tip!
Many agencies already actively use social media, while others are still exploring it. For some, there are questions of whether social media sites will supplant the need for traditional websites. While social media is an excellent way to connect with customers, increase visibility of the agency, and build relationships with prospects, its usage does have some E&O exposure. Check out the E&O Happens site for information about social media use and your exposure.

Texting?
Do you text with your agency clients? If so, it’s important to establish firm guidelines for texts and to understand the possible business implications as well as E&O issues that can come from accepting texts:

Consider these issues:

• Critical Information Could Be Lost. When you get a text, there is no easy way to file it with the rest of the insured’s info. The information lives on your phone, and at the end of a long day, you may forget about it. There are some applications that allow you to send the text to email so that it could be filed, however, that’s another touchpoint that will mean loss of your time and another place where the information could be lost.

• Texting is Distracting. If all your customers are continually texting you and/or your service staff throughout the day, productively will fall off. Every buzz or ding will necessitate a glance and create disruptions. And, will the text stop the minute your office closes for the day? Highly unlikely. An autoresponder may be necessary after hours informing texters that they will not hear back from you until the next business day and provide an emergency number they can call if necessary. Otherwise, family meals, date night and your sleep may suffer.

• Unrealistic Expectations. Text messengers expect an immediate response! It could make a client upset or even angry if you don’t answer them within seconds. Your clients will need to understand that you cannot always respond to non-emergency texts immediately, as you might be with another client or driving to another appointment.

Consider adding verbiage to client communications outlining your text messaging policies. Be clear about how you want to communicate with them, set boundaries and stay consistent in how you respond or don’t respond to text messages from clients.

Check the following links:
E&O Happens Website: http://www.iiaba.net/E0Happens.
ALEXANDRIA, Virginia—The Agents Council for Technology (ACT) Strategic Future Issues Work Group has released the first phase of an initiative to identify key trends that affect the future of the independent insurance agency system.

“The real value of the Hard Trends Report is the great discussions and involvement of so many in the creation of the report,” says Rick Morgan, ACT Strategic Future Issues Work Group chair and senior vice president of Aartrijk in Springfield, Virginia. “We expect the release of the report to generate further discussion on the challenges and opportunities these trends present.”

The following seven trends were identified and evaluated in phase one:

1. **Mobile First:** Mobile, along with social and cloud computing, is what has enabled the cultural transformation and the emergence of the connected consumer. Mobile cuts across everything and will change the insurance products offered, how they are presented, and interaction on services.

2. **Social Culture/Digital Transformation/Internet of Me:** This trend reflects the broad influence and impact that social and digital are having on all aspects of our society, including our business lives. This ongoing transformational change is an expansive, strategic trend that has grown from social web tools and digital technology.

3. **Connected Society:** Connectivity is expanding from consumers to business and even “things”—all aspects of our physical world are being connected.

4. **Demographic/Segmentation & Personalization:** This trend encompasses diversity in every sense of the word: age, ethnicity, culture, gender and connected vs. non-connected.

5. **Growing Availability of Big Data and Actionable Business Intelligence (“BI”):** New technologies and techniques are enabling the capture and analysis of more and more data (big data). Agencies and carriers are able to integrate BI into their decision-making in real time, enabling them to understand their consumers and operations better.

6. **Changing Nature of Insurance Risk:** Changing social norms, applications of technology, climate change and all of the trends noted above and more are changing the types of risks that consumers and businesses are facing.

7. **Information Security & Privacy Regulation – Cyber Liability:** In addition to federal and state regulations for security plans and procedures, the costs of data breaches will become more expensive to businesses. Growing risks also create opportunities for carriers and agents to provide coverage and risk management guidance to clients.

“ACT is pleased with the Strategic Future Issues Work Group’s report and efforts to identify, update and discuss trends in the independent agency system,” says Ron Berg, ACT executive director. “Although these technological developments and trends often present challenges, they’re also blooming with opportunities for agencies to build their business and provide better service.”

The complete report is available on the ACT website [http://www.independentagent.com/Resources/AgencyManagement/ACT/Pages/planning/Trends/ACT%202015%20Hard%20Trends.aspx].

The report has also resulted in a list of industry ‘Must Do’ undertakings which will drive key actions needed by ACT work groups such as Customer Experience, Security Issues, and Mobile, as well as other industry programs such as the Big “I” Diversity Task Force. As an example, one of the key objectives is to proactively respond to the trends to create an enhanced customer experience. The Strategic Future Issues Work Group is directing these ‘Must Do’ actions now.
The Independent Insurance Agents of Maryland wish to express their sincere sympathy to the family and friends of Warren William ‘Bill’ Cookson.

‘Bill’ served the Independent Insurance Agents of Maryland as their 40th President in 1976. He also served as the Association’s State National Director from 1979 to 1984. Bill was named ‘Insurance Man of the Year’ in 1970.

Bill passed away on February 12, 2016. He is survived by his wife, Janis and son Kyle H. Gimbel. We appreciate his service to agents in Maryland. He will be missed.
A great deal has changed in the last twenty years. Twenty years ago, the White House had just started its website. Nineteen years ago, a blog was created. Eighteen years ago, Google started its first office in the United States. Fourteen years ago, Wikipedia was invented. And today there are over 999,000,000 internet websites dealing with insurance. When I contemplated this industry shift, I asked myself (i.e., asked Pat) how all this development changed the role education plays in the sale of insurance.

Insurance producers now have customers who have an affinity for self-research online. Some research value. Some research coverages. Some learn just enough from websites to get themselves confused.

The internet is not the only resource that is available to the customers seeking to educate themselves. The Maryland Insurance Administration has a vibrant outreach program. They answer thousands of consumer calls, attend hundreds of outreach programs and distribute countless pamphlets and other information.

With all this information available to consumers, an insurance producer has to bring added value to customers through education. Insurance producers have to be able to show a customer what value means and that it isn’t always the lowest price point. Today’s customer’s want someone who is knowledgeable and trustworthy; oftentimes, what they want most is someone who can help filter out the white noise of too much information. That is the role of the modern insurance producer.

Of course, if an insurance producer holds himself or herself out to be extraordinarily knowledgeable, then there could be created what the law describes as a ‘special relationship’. As the Maryland Court of Special Appeals indicated in Sadler v. Loomis Co., “A special relationship may be shown when an insurance agent or broker holds himself or herself out as a highly skilled insurance expert, and the insured relies to his detriment on that expertise. A special relationship may also be demonstrated by a long term relationship of confidence, in which the agent or broker assumes the duty to render advice, or has been asked by the insured to provide advice, and the adviser is compensated accordingly, above and beyond the premiums customarily earned.” If a special relationship is created, the producer may be required to give unsolicited advice to the insured, including detailed information about specific policy provisions, limits, and the adequacy of coverage. If the producer who has a ‘special relationship’ with the insured does not give such unsolicited advice, the producer could have a liability to the insured.

Because an insurance producer is held to a higher standard with clients that have a special relationship, it makes sense that producers educate themselves as to who those clients may be by asking such questions as:

- Have we given them unsolicited advice on coverage and limits in the past?
- Are they long term clients?
- Do we write all of their insurance coverages?
- Do we make key decisions on coverage?
- Do we charge a fee for our services in addition to the commission we earn?
- Do we have other personal or professional connections with them that may increase their reliance on us?
- Do we claim to be an expert in their type of risk?

Of course, whether a ‘special relationship’ exists is a complicated question.

That said, if an insurance producer thinks that a special relationship might exist, the producer should consider spending extra time educating the client about their insurance choices.
Proceed Carefully if You Receive a Subpoena

By Mark Shackelford

Senior Underwriter, Vice President
Swiss Re Corporate Solutions

Over the past few years, we have seen an increase in the number of subpoenas served on insurance agents even if they are not a party to the litigation. How those subpoenas are handled can mean the difference between whether or not they develop into E&O lawsuits. The purpose of this article is to instruct and inform you as to how to proceed should you ever be served with a subpoena in litigation wherein you are not a party to the lawsuit.

Any agency receiving a subpoena should proceed with caution. Though the caption on the subpoena does not list the agency as a party to the litigation, the fact remains that a legal proceeding is pending and it is not difficult for the lawsuit to be amended to add the agency as a party. Sophisticated attorneys will often serve subpoenas in order to try and obtain documents or testimony that could help support a claim against your agency. For this reason, we suggest every agency should have procedures in effect as to exactly what must be done if it receives a non-party subpoena.

An agency that receives a subpoena is legally obligated to comply with that subpoena, or it runs the risk of possibly being held in contempt of court, even if the subpoena is somehow defective. A subpoena cannot simply be ignored or disregarded. For this reason, Swiss Re Corporate Solutions always suggests that an attorney be involved to assist the agency in responding to any subpoena received. Often, a subpoena is defective because it fails to comply with the statutory requirements for service, or it requests information that is beyond what is permissible. If your agency responds without the assistance of counsel, it is possible that it will be complying with an improper subpoena and, thus, disclosing information that it is not required to be disclosed pursuant to state law. In fact, responding to a defective or improper subpoena may result in an agency disclosing information that may be protected by state insurance regulations or Federal laws. Therefore, an agency that responds to a defective or improper subpoena puts itself at risk of facing a possible E&O claim, lawsuit, or possible regulatory action.

There are three types of subpoenas that an insurance agency and insurance agent might receive when the agent and agency are not parties to a lawsuit. One, a subpoena that demands documents and electronically stored information (“ESI”). It is important for you to be represented by a lawyer when you produce the documents and ESI. For example, the documents and ESI might contain financial information about the insured that is confidential and might not otherwise be something to which the party issuing the subpoena has a right to obtain. The documents and ESI should be reviewed by your lawyer to ensure the proper documents and ESI are disclosed.

The second type of subpoena requires someone to appear at a deposition or trial to testify. Usually it is a deposition for a lawsuit involving one of your insurance customers. Again, it is important for an agent to be represented by a lawyer. The lawyer will review the pertinent materials with you and help prepare you for your testimony at the deposition. It is preferable to be prepared when you testify. It diminishes the chance the agency will be brought into the lawsuit as a party. Moreover, a lawyer will attend the deposition with you to ensure the rules of court are followed and that your rights are protected. For example, the rules of court, depending upon the state, usually require the agency to be compensated for the work it performs producing the documents and compensation for an agent’s professional time spent attending a deposition. Your lawyer will negotiate the compensation with the attorney who served the subpoena on your agency.

The third type of subpoena is a combination: a subpoena that commands your agency to produce documents and commands a person from the agency to testify at a deposition. You should immediately contact Swiss Re Corporate Solutions. We will assign an experienced lawyer to review the materials, prepare you for testifying, and to ensure the rules of court are followed.

Many E&O policies contain language that defines a “claim” or “potential

(Con’t on page 11)
claim” against the agency as including the receipt of a subpoena. For this reason, it is a good practice for every agency to review the language contained in its E&O policy related to subpoenas so that it understands the policy terms and provisions related thereto. Our recommendation has always been that when an agency receives a subpoena it should immediately advise Swiss Re Corporate Solutions of the subpoena. For example, the language contained in the Swiss Re Corporate Solutions E&O policy, issued to Independent Insurance Agents of Maryland members through Insurance Brokers Service Corporation, defines a claim as including the receipt of “a summons, a subpoena, or any other notice of legal process.” As such, an agency that receives a subpoena and responds to it on its own without notifying its E&O insurer runs the risk that it failed to report a claim in compliance with the terms of its E&O policy. This failure to provide notice to the insurer could potentially result in a disclaimer of coverage by Swiss Re Corporate Solutions for any claim or lawsuit that may arise in connection with it. An additional reason why an insurance agency should advise its E&O insurer of a subpoena that it receives is because many E&O policies provide coverage to help assist the agency in complying with the subpoena. As an example, your current Swiss Re Corporate Solutions E&O policy provides subpoena coverage of $10,000 per policy year, which is not subject to a deductible, to have counsel assigned to help the agency respond to subpoenas. In our experience, an agency with an attorney involved in responding to a subpoena is less likely to be dragged into litigation. It is for this reason E&O insurers provide this type of subpoena coverage.

Every insurance agency should make certain that it has an established procedure in effect concerning how it will deal with any subpoena it receives. It should also ensure the procedure is known and followed by all employees. As part of that procedure, there should be a method for notifying the E&O insurer. If, after being notified about the subpoena, the E&O insurer declines to assign counsel to assist in responding to the subpoena, the agency should then consider whether it may be best to retain counsel on its own. By following these steps, the prudent insurance agency will be in a better position to avoid becoming a party to litigation related to a subpoena it receives.

This article is intended to be used for general informational purposes only and is not to be relied upon or used for any particular purpose. Swiss Re shall not be held responsible in any way for, and specifically disclaims

(Con’t from page 10)
Our deepest sympathy is extended to the family and friends of Darlene Bauer. Darlene worked in the industry for many years working at TIFCO, Commercial Union, and Agency Services. In lieu of flowers, donations may be made to the Alzheimer’s Association.

Robert Granville Urch, Jr.
February 4, 2016

We wish to express our sincere sympathy to the family and friends of Robert ‘Bob’ Urch. Robert Granville Urch Jr. age 76 passed away February 4, 2016 under the care of The Villages Hospice. Bob is survived by wife Nancy. Bob was a CPCU and was with RCM&D, Inc. as a Vice President from 1997 until his retirement in July 2011. He will be missed by all who had the privilege of knowing him.
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For more information contact Rebekah Langford, ACSR, AAI, AINS
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NASA Joins Agents Council for Technology


“ACT is pleased to welcome NASA, recognizing the software company’s focus on advancing technology for independent insurance agents and brokers to better serve its customers,” says Ron Berg, ACT executive director. “We are excited to have the NASA team at the table, working with us on technology workflow improvements for independent agents and brokers.”

Incorporated in 1982, North American Software Associates, Inc. (NASA) provides software to independent insurance agencies around the country. NASA has 19 full-time staff members and continues to grow. More than 1,000 agencies in 35 states, including many Big “I” members, utilize its software. For more information, please visit www.nasasoft.com.

“NASA is pleased to become a member of the Agents Council for Technology and we look forward to helping support ACT’s goal of improving our agents and brokers technology workflow experience,” says Bruce Dickhoff, NASA president and CEO.

Big I Advantage® Names Jim Hanley Director Of Agency Professional Liability Risk Management

Experienced underwriter takes risk management reins.

Alexandria, Virginia—The Independent Insurance Agents & Brokers of America Big “I” Professional Liability Program has named James Hanley, RPLU, the new director of agency professional liability risk management. Hanley will lead the risk management program for the Big “I” and Swiss Re Corporate Solutions Professional Liability Insurance Program.

“The Big ‘I’ Swiss Re Professional Liability Program offers a comprehensive program for Big ‘I’ members, including the broadest risk management program available for agents,” says Mark Wolf Big I Advantage® vice president. “Jim Hanley will help us ensure that we continue to be the industry-leading agency E&O program. With data on frequency and severity from the largest program in the industry, we know what drives losses and how to avoid them and that varies by state. Jim will work closely with the 51 Big ‘I’ state associations, who are very adept at recognizing the needs of their members and are committed to delivering the best risk management in the industry.”

“The Big ‘I’ Reinsurance Company’s recent conversion to a protected cell company will allow us to combine sophisticated risk retention and risk management and apply it specifically to the unique risk management needs of agency alliances and large agencies. We look forward to Jim Hanley coordinating these efforts to the ultimate benefit of our members,” continues Wolf.

Hanley has been with the Big “I” since 2008 as an underwriter and staff coordinator of the bordereau reconciliation for IIABA's reinsurance company.

“‘The Big ‘I’ Professional Liability Program’s risk management resources continue to improve and set our program apart,” says Sabrena Sally, CPCU, Swiss Re Corporate Solutions senior vice president. “Our program has the benefit of dedicated E&O risk management resources. We study the data with the Big ‘I’ and target our loss prevention tools accordingly. Big ‘I’ risk management resources are accessed by the 51 Big ‘I’ state associations in delivering E&O classes and through our unique member- and insured-exclusive website, http://www.iiaba.net/EOhappens. We offer far more than just an insurance policy—we offer a comprehensive program and we look forward to working with Jim Hanley.”

Hanley brings 15 years of professional liability experience to this position and a dedication to proactive risk management from his many years as an underwriter. He received his Registered Professional Liability Underwriter (RPLU) designation in 2009.
Rough Notes Announces New Editor-In-Chief
Carmel, IN – Walter Gadowski, President and CEO of The Rough Notes Company, Inc., is pleased to announce that David Willis, CPIA, has accepted the position of Editor-in-Chief of Rough Notes magazine. He replaces Executive Editor Dennis Pilsbury, who is retiring from his post in March 2016, following 28 years of service to Rough Notes.

Willis, a long-time Rough Notes magazine contributor, has 30-plus years of experience as a writer and communicator in the insurance and risk management community. The Taylor University alumnus began his career with a small mutual company, moved on to CIGNA where he held global communications and management positions, and then served as public relations director for the CPCU Society.

In 1997, he co-founded PropertyandCasualty.com and served as editorial director for that and other business to business websites. Since then, he has served in a variety of writing and editorial management positions, working with technology, association, corporate and publishing clients.

Rough Notes has been an integral part of the insurance industry since it was first published in November 1878. For more than 137 years the publication and its staff have been honored to serve independent insurance agents and brokers and their business partners, including the insurance companies they represent. Learn more about Rough Notes magazine at www.roughnotes.com.

Mark Maucere Appointment Expands Leadership Team and Aligns Organization for Future Growth
Arlington/Roe, managing general agent and wholesale insurance broker, expands its leadership team and aligns for future growth and perpetuation with the appointment of Mark Maucere, CIW, as vice president of commercial lines underwriting.

Over the past 10 years Arlington/Roe has expanded from three office locations to seven, from 125 associates to 170, and from $104 million in premium to $200 million. Notably the company continues to be family owned and three of President Jim Roe’s children are serving in leadership roles.

“The perpetuation of Arlington/Roe through family and extraordinary insurance industry talents like Mark is critical to the value of Arlington/Roe to our independent insurance agency partners,” Jim Roe said.

Mark Maucere’s experience in business development, marketing, management and team leadership has its roots in a general agency his father started. Maucere joined Arlington/Roe from his recent position as senior vice president of transportation underwriting with a leading national insurance wholesaler.

Mark is a 1995 business administration graduate and holds an MBA from National University in San Diego. He was president of the California Insurance Wholesalers Association in 2005 -- 2006. Maucere is on the Board of Directors of the American Association of Managing General Agents (AAMGA), a recipient of the AAMGA Earle Dillard Award, a 4th Degree member of the Knights of Columbus and serves as an active leader in the Boy Scouts of America with his two sons. Mark’s wife Kelly is the owner of My Sugar Pie in Zionsville, Indiana.
14 States Raised the Minimum Wage on January 1st

The following is a summary of the minimum wage increases that went into effect on January 1, 2016. The summary includes additional scheduled increases where they apply.

- **Alaska.** Effective January 1, 2016, Alaska’s minimum wage is $9.75 per hour.
- **Arkansas.** Effective January 1, 2016, Arkansas’ minimum wage is $8 per hour. The minimum wage is scheduled to increase to $8.50 per hour on January 1, 2017.
- **California.** Effective January 1, 2016, California’s minimum wage is $10 per hour.
- **Colorado.** Effective January 1, 2016, Colorado’s minimum wage is $8.31 per hour.
- **Connecticut.** Effective January 1, 2016, Connecticut’s minimum wage is $9.60 per hour. The minimum wage is scheduled to increase to $10.10 per hour on January 1, 2017.
- **District of Columbia.** Effective July 1, 2016, the District of Columbia’s minimum wage will increase to $11.50 per hour.
- **Hawaii.** Effective January 1, 2016, Hawaii’s minimum wage is $8.50 per hour. Further increases are scheduled as follows:
  - On January 1, 2017, the minimum wage will increase to $9.25 per hour.
  - On January 1, 2018, the minimum wage will increase to $10.10 per hour.
- **Massachusetts.** Effective January 1, 2016, Massachusetts’ minimum wage is $10 per hour. The minimum wage will increase to $11 per hour on January 1, 2017.
- **Michigan.** Effective January 1, 2016, Michigan’s minimum wage is $8.50 per hour. Further increases are scheduled as follows:
  - On January 1, 2017, the minimum wage will increase to $8.90 per hour.
  - On January 1, 2018, the minimum wage will increase to $9.25 per hour.
- **Nebraska.** Effective January 1, 2016, Nebraska’s minimum wage is $9 per hour.
- **New York.** Effective January 1, 2016, New York’s minimum wage is $9 per hour.
- **Rhode Island.** Effective January 1, 2016, Rhode Island’s minimum wage is $9.60 per hour.
- **South Dakota.** Effective January 1, 2016, South Dakota’s minimum wage is $8.55 per hour.
- **Vermont.** Effective January 1, 2016, Vermont’s minimum wage is $9.60 per hour. Further increases are scheduled as follows:
  - On January 1, 2017, the minimum wage will increase to $10 per hour.
  - On January 1, 2018, the minimum wage will increase to $10.50 per hour.
- **West Virginia.** Effective January 1, 2016, West Virginia’s minimum wage is $8.75 per hour.

Courtesy: ThinkHR Blog | State & Federal Law Updates.

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**Encompass Insurance**

Encompass is as discerning about our agents as our consumers are about their coverage. We work with an exclusive group of independent agents to serve a very specific, attractive and underserved market – the mass affluent. This is a highly desirable audience hungry for a simple, comprehensive and personalized approach to coverage. For certain agents seeking to deeply engage this market, Encompass offers the support and knowledge you need. Talk to us today at 240-463-5939.
A company’s most valuable asset is not their inventory of products or materials but the key people that make that business possible. A “Key Person” insurance policy can protect a company, institution, non-profit or association against the loss of a key employee due to death or disability.

In many organizations there are a few top people who are credited with creating and driving success. These people may be chief technologists, researchers, operation managers, and sales people known as “rainmakers” and so on. Their job duties and titles may differ but they all share one thing in common; their death or disability may cause a catastrophic interruption or economic loss to the business or organization that employs them.

Specifically, Key Person Insurance is designed to address the financial consequences of such a loss, including:

- Interruption of cash flow
- Expenses of attracting and hiring a replacement
- Loss of clients to a competitor
- Negative impact on credit

How it works:
Typically, the organization will be the owner and beneficiary of an insurance policy on the key person. If that person dies or becomes disabled the policy will distribute a benefit directly to the owner. In many cases the benefit is tax free and the premium is NOT tax deductible (1).

(Con’t on page 21)
(Con’t from page 20)

**Death – Life Insurance Options**  
**Term Insurance**
Term insurance is often used in key-person policies where the sole purpose is to indemnify the corporation against the death of the employee. Term insurance offers low-cost insurance with one benefit at the insureds death. The duration of the term policy purchased usually coincides with the insureds planned retirement age. Example: A corporation purchasing term key person coverage on a 50 year old CFO with a planned retirement age of 65 would most likely purchase a 15 year level-term policy.

**Permanent Insurance**
While term insurance offers a low cost solution, the benefit is limited to indemnifying the company against the death of a key person and nothing else. Permanent insurance on the other hand can offer several benefits to both the organization and the key person. A permanent life insurance policy can become an asset to the owning organization by allowing access to the policies cash values for loans or withdrawals. The policy may also be used as a “Golden Handcuff” to attract or retain a key-person in a competitive employment market. Additionally, a permanent policy has the potential to accumulate cash value and can help fund the retirement income for the key person or become an additional retirement benefit through the transfer of policy ownership at retirement.

**Disability of a Key Person**
In previous articles we’ve discussed the potential for disability in the workplace. We are far more likely to become disabled before retirement than to die. In fact, 25% of today's 20-year-olds will become disabled before they retire.

Key Person Disability insurance will pay the owning organization a benefit should the insured key-person become disabled. The benefit can be paid in monthly installments over the course of a few years, as a onetime lump sum or a combination of both. The benefit payout structure will directly impact the cost of the coverage and can be used to find a cost effective premium for the owner.

**How much Key Person insurance is needed?**
That question will differ on a case by case basis. Typically corporations purchase seven to ten times the employee's annual compensation. The organization will need to factor in the costs of attracting and hiring a replacement in the current market, the employees' direct contribution to revenue, their knowledge and the personal or business relationships that may be hard to replace. Typically, Life Insurers will offer a maximum benefit of ten times the insured employees income while Disability Insurers may cap the benefit based on the payout structure i.e. Lump sum vs. Installment.

Please contact us for help with key-person plan designs, product selection or general questions.

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. For more information contact Scott Zilber at szilber@belmanklein.com or 1-800-729-6007.
“I’m back with the Big ‘I’. It feels good to come home.”

Prevent.
Our exclusive risk management resources help your agency avoid making common preventable mistakes.

Protect.
Our superior coverage through Swiss Re Corporate Solutions and our experienced claims teams are in your corner in the event of a claim.

Prosper.
When you know you have the best agency E&O Protection, you can focus on growing your most important asset—your business.

“Swiss Re Corporate Solutions’ comprehensive coverage and risk management resources are unparalleled in the marketplace.” The program is designed by independent agents for independent agents. When it comes to my business and my family’s livelihood, I trust the Big ‘I’ for protection.

Spencer Houldin
President at Ericson Insurance Services
Returning Big ‘I’ Professional Liability Client

Risk Management Moment
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iiaba.net/EOTechnology
Insurance Education—Education to benefit the Maryland Consumer

By Shelley Arnold, CPCU, AU, ARM, AAI, AINS, ACSR

We work in an industry that is constantly changing. Whether it is a new exposure, new coverage form, new law or regulation, new valuation technique or new service, the industry forges ahead, moving from one challenge to another.

One constant, however, is the fact that our people need to be adequately trained. This is one area where we have taken a few steps back instead of forward. Last year, the Maryland General Assembly passed legislation that would allow producers to receive all of their continuing education credits online. In 1988 when the continuing education law was passed, it was decided that in the best interest of the Maryland consumer, producers were required to obtain at least half of their credits in a classroom setting. I believe the classroom setting is ideal for all levels of education. It allows the interaction that has proven beneficial for successful learning. Students in a classroom setting are able to ask questions, speak with the instructor and even network with others working in agencies and having similar questions and experiencing similar issues. This benefits the producer, the agency and the Maryland consumer.

Let me be clear, I am not opposed to online classes. We, IIAM, offer several within our program. I am however, adamantly opposed to classes that do not further the producer’s knowledge. What are the underlying problems with online classes? Many agents select the cheapest. We all know that the cheapest is not always the best. We have found that many of our agencies fund their producer’s continuing education program and actually opt for the cheapest. We also found that some agencies have discontinued funding the agent’s continuing education and in those circumstances the employee opts for the cheapest because it is coming from their paycheck. This is not just a problem with online, but classroom and self-study as well. It just so happens however, when it becomes a funds issue, online becomes the chosen option. How do the cheap, often poorly facilitated classes enhance the agency… their reputation, their producer’s

(Con’t on page 24)
knowledge, their processes, etc? Short answer, they don’t.

The Independent Insurance Agents of Maryland have never included our education program as a ‘profit’ center within the association. The goal of the education department was and is to ‘continue’ the producer’s knowledge of specific subjects and provide guidance with subjects that may be outside the producers wheelhouse. Our programs, for the most part, are designation programs, many designed by the Insurance Institute of America. Our programs are priced to cover the instructor and materials.

Prior to the continuing education law passage in 1988, education classes were full. The Institutes, through the CPCU chapter in Baltimore, often had to close registration because the programs were full. Producers (agents) actively worked toward various designations, including CPCU. Making continuing education mandatory just hasn’t worked as intended. The intent was to continue the education of the frontline person working with the Maryland consumer, the producer. Makes sense doesn’t it? Today all across the country, producers enroll in compulsory education courses. So continuing education has become compulsory education and in essence loses some of its purpose.

Here is another peeve. In Maryland agents need twenty-four (24) hours of continuing education credits. Of those 24 hours, three (3) must be in ‘Ethics’, two (2) must be in flood-if you write flood in Maryland and if you are dual licensed (hold both a P/C and L/H license) two (2) must be in Long Term Care if you sell LTC in Maryland. Now consider you have had your license for twenty-five (25) consecutive years (as of October 1, 2008), you only need eight (8) hours of c.e. credits. Let’s say you qualify for the eight hours. You sell flood and LTC, so both of the two hour requirements would be needed as would the Ethics. This would leave you with a one (1) hour requirement to choose a program or course that would REALLY continue your education.

Has the state accomplished their goal to benefit the Maryland consumer? It depends. Many still take the designation classes, intermediate and advanced classes. When doing so, they do CONTINUE their education. The agent that takes the same courses every licensing cycle (every two years-expiring in agents’ birth month) is not. Being forced to take the flood and ethics program every cycle is also a waste of the agents’ time and money and is preventing him/her from advancing his/her knowledge in areas that may need strengthening and may better serve the Maryland consumer. Sure there have been considerable changes in the flood program, which makes it a necessity this cycle, but not every two years. This all developed as a result of Isabel and the fact that many Maryland consumers did not know their homeowners didn’t cover flood. I am not sure many more know today. The fact that there is a disclaimer contained on the policy, some policies still contain the bolded stamp ‘This policy does not provide coverage for water damage caused by flood’, and there has been an increased media push with respects to flood, doesn’t change the fact that many do not know or do not care to purchase flood coverage. The same is true of Ethics. If you walk into my ‘Ethics’ class and you don’t have ethics when you arrive, I highly doubt it will be different when you leave. The IIA Maryland opposed the Ethics requirement. Unfortunately, ethics is not required of other professions that many of us feel could use the extra ‘moral/virtue’ factor, such as politicians, legislators, and lawyers. They work directly with the public and I wouldn’t say the public’s perception of their professions are stellar.

The point…we need to get back to educating the producer. Classes such as the ACSR (Accredited Customer Service Representative) program is an excellent choice [see overview this issue]. It is coverage intense and reviews forms, as well. Not long ago an agent called our office and asked for suggestions for a new producer and we suggested ACSR. His response was ‘the producer doesn’t have to know the forms and coverages that is what the CSR is for’. Another producer told me he wouldn’t take the ACSR program because it was for CSRs. I think the Institutes made a huge mistake naming the program.

Whatever program you decide to pursue, you must make certain that it CONTINUES your education. No wonder some producers are bored when they sign up every two years for the same Homeowners program. Producers need to stay on top of changes, not just coverages, but forms, regulations, laws and new exposures. Did you ever think ten years ago, you would be able to purchase ‘terrorism’ coverage, cyber liability and soon driverless car coverage? It is a tough industry, changing daily, but for the producer that stays abreast of the changes and embraces those challenges of change, it will be a good industry and he/she will make an excellent living.
It can be frustrating for both you and your client, but not every home you need to insure is going to fit into standard underwriting guidelines. That’s why Big “I” Markets has teamed with Insure Response to provide a solution with superior service. This non-admitted excess and surplus line is a great place to turn when your client has high claims or credit problems.

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- Log homes

Learn more at www.bigimarkets.com!
March 16, 2016  
Property Insurance for Contractors  
Don Dudey, CPCU  
9:00 AM - 4:30 PM

March 21, 2016  
ACSR 3 - Personal Lines Related Coverages  
Pamela Dodge, CIC, CISR, CPIA  
9:00 AM - 3:30 PM

March 23, 2016  
ACSR 8 - Commercial Automobile Insurance  
Don Dudey, CPCU  
9:00 AM - 3:30 PM

April 6, 2016  
AAI 82B - Other Commercial Insurance  
Don Dudey, CPCU  
9:00 AM - 4:30 PM

April 12, 2016  
The Basics of Flood Insurance  
Annette Winston  
9:00 AM - 11:00 AM

April 12, 2016  
Ethical Guidelines for Insurance Professionals - Ethics 311  
Shelley Arnold, CPCU, ACSR, AAI, AINS  
1:00 PM - 4:00 PM

April 18-22, 2016  
Property & Casualty Pre-Licensing  
8:30 AM - 4:30 PM

April 27, 2016  
Commercial Liability Insurance for Contractors  
Don Dudey, CPCU  
9:00 AM - 4:30 PM

IIAM congratulates Board member, Terry Katz and her husband Stephen on the birth of their second grandson, Sidney Harrison. Sidney was born on December 28, 2015, weighing in at a healthy 8 lbs. 4 ozs. Sidney’s Mom, Dad and big brother Logan are all doing well.
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