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# Chairman’s Message

4. Satisfaction with Property Insurance Claims Slips

6. Ask Pat

9. Spend Money to Make Money

11. Celebrating 100+ Years

13. Unlikely Foe?

14. 2016 MD General Assembly Session

16. Get to Know Big “I” Flood

18. Tidbits

25. Life Corner

27. DOL Finalizes Fiduciary Rule

30. Education Corner

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**IIAM OFFICERS 2015-2016**

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<thead>
<tr>
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<th>Name</th>
<th>Title</th>
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<tr>
<td>Immediate Past Chair</td>
<td>Jay Duke</td>
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<td>Chairman</td>
<td>Donald Grauel, CIC</td>
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<td>State National Director</td>
<td>Angela Ripley, CIC, AAI</td>
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<td>Chairman-Elect</td>
<td>Rick Raley, AAI</td>
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<td>Vice Chairman</td>
<td>Albert Lietzau IV, AU</td>
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<td>Director-At-Large</td>
<td>John Cabrera</td>
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<td>Past President Rep.</td>
<td>Terry Katz, CPCU</td>
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<td>President</td>
<td>Shelley Arnold, CPCU</td>
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**THE MARYLAND MESSENGER**

THE INDEPENDENT INSURANCE AGENTS OF MARYLAND, INC.

Editor: Shelley Arnold, CPCU, AU, ARM, AAI
Graphic Designer: Maritza Dintino
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THERE OUGHT TO BE A LAW

In today’s national political environment with two extremes dominating the news, a skeptic could easily make the claim that the system is broken beyond repair and the only way to fix it is to figuratively blow the whole thing up and start over. Even if neither extreme candidate has a plan, it doesn’t seem to bother their supporters.

I tend to view the world from a more positive outlook, but I must admit that I was not the most optimistic when it came to our state or federal legislative process. Do legislative dinners with lawmakers in Annapolis make any difference to the outcome of laws either in favor or against an IIAM point of view? Does walking “The Hill” in DC and taking the independent agent messages to Senators and Congressmen have any impact? Again, from the outside it is easy to say no.

As I write this message the IIAM has completed a full day of visiting with members of Congress to bring forward our point of view on Flood Insurance Reform, cuts to Crop Insurance, Revocation of the “Cadillac Tax” and the Affordable Care Act, maintaining state control of insurance regulation and making certain the federal government role is limited, keeping in check the Department of Labor regulatory actions regarding fiduciary advice for retirement accounts and overtime pay for “white collar” workers and finally the expansion of the Risk Retention Act to areas beyond any ascertainable market need.

I was fortunate to be in the company of seasoned experts Angela Ripley (V.W. Brown Insurance Services), Terry Katz (HMS Insurance Associates, Inc), Jay Duke (Waring-Ahearn Insurance Agency), Loretta Fuller (Insurance Solutions Associates) and Ivory Buck (Avon Dixon Agency) who have developed relationships with members of congress and their legislative staffs. As you might expect, we rarely received full agreement on any of our talking points, but it was obvious to me watching your talented state association representatives, that their arguments were seriously considered.

It was just as apparent that although legislators and their staff were fairly knowledgeable regarding the issues, they were open and receptive to informed dialogue with their constituents. Both national and state legislators understand that IIAM is a consistent and persistent force in Annapolis and on the hill beyond just an impressively supported InsurPAC and the Maryland Agents Political Action Committee (MAPAC). Notwithstanding the impressive statewide lobbying efforts of Brett Lininger and the IIAMD staff or the nationally recognized “Big I” lobbying presence on the hill, a personal appearance has a lasting effect.

Details on particular state legislative issues can be found in this magazine and the website (http://www.iiamd.org/legislative). The IA Magazine has written extensively on the national issues cited above.

I can’t stress enough that if you have not had the opportunity to be involved with your association in the past, you owe it to yourself, and yes I believe that you owe it to the industry that has supported you so well and your association which has carried the banner for that cause, to get involved in even the smallest way. I speak from experience when I tell you that it is a tremendous opportunity for personal 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
Our sincere apologies—Somehow we omitted five Maryland ACSR’s last issue.
A special THANK YOU for your commitment to excellence in customer service and professionalism!

Christina Reid
Lacy Revell
Mary Rich
Sharon K. Richards
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Satisfaction with Property Insurance Claims Slips for First Time in 5 Years as Soft Market Takes Hold, J.D. Power Study Finds

Amica Mutual Ranks Highest in Overall Satisfaction among Homeowners Insurance Claimants

NEW YORK:— For the first time in five years, customer satisfaction among homeowners filing a property claim has slipped, largely driven by declines in satisfaction with the total settlement and service interactions, according to the J.D. Power 2016 U.S. Property Claims Satisfaction Study, SM released today. The study measures satisfaction with the property claims experience among insurance customers who have filed a claim for damages by examining five factors (listed in order of importance): settlement; first notice of loss; estimation process; service interaction; and repair process. Satisfaction is calculated on a 1,000-point scale.

The $502.6 billion[1] U.S. property and casualty insurance industry is entering a cycle of reduced profitability due to declining premium rates. Data from the 2016 U.S. Property Claims Satisfaction Study suggests that many insurers may already be shifting their focus away from customer satisfaction and toward areas of cost reduction. According to the study, satisfaction has declined by 5 points to 846 from 2015. The largest changes are in the service interaction factor (-8 points), driven by declines in both the local agent (-8) and claims professional (-28) sub factors.

Weather events are also a significant driver of declines in customer satisfaction this year. Survey results are significantly impacted by the way insurers handled a few major events, such as the winter storms that hit the Northeast in early 2015 and the severe weather/hail claims that hit Colorado and some surrounding states in late 2014. However, weather alone does not fully explain the dip in overall satisfaction. For instance, simple service practices such as returning promised callbacks are down 1 percentage point from last year, and only 42% of customers indicate that when contacting their insurer someone was “always available immediately” to assist them. Responsiveness, a primary driver of service interaction satisfaction, is down significantly year over year among claimants interacting with local insurance agents or claims professionals (-0.09 points and -0.43 points, respectively, on a 10-point scale).

“During times of catastrophic events, insurance companies typically ramp up and have teams of claims professionals poised and ready to process claims locally in the affected region,” said Greg Hoeg, vice president of U.S. insurance operations at J.D. Power. “However, maintaining a high level of support is not cost effective when there is a lull in large events and especially when rates begin to fall. Belt tightening to a leaner team can sometimes mean less support and longer response times to process claims. Insurers need to be aware when cost cutting impacts response times. The less satisfied customers are with the claim process, the less likely they are to renew their policy.”

Following are some of the key findings of the 2016 study:

- Providing an Outstanding Claims Experience Can Generate Advocacy and Retention: The study finds that 81% of highly satisfied claimants (overall satisfaction scores of 900 or higher) say they “definitely will” renew their policy and 81% say they “definitely will” recommend their current insurer, while only 14% of displeased claimants (scores of 549 or less) say they “definitely will” renew and 7% say they “definitely will” recommend. Strikingly, 13% of displeased claimants indicate they have switched insurers due to their claims experience and 40% indicate an intention to shop within the next 12 months.

- Younger Property Claimants Looking for More Assistance with the Process: The desire for more help is strongest among the youngest groups such as Gen Y,[2] where 31% indicate they want additional help selecting a contractor. This suggests that younger customers, who presumably have not had the same tenure of home ownership and also have less experience in having property work done, are looking toward their insurer to help coordinate the repairs.

- Non-Weather Water Claims Not Weathering Satisfaction: Non-weather water claims are the most

frequently reported claims in 2016. Satisfaction with the handling of non-weather-related water damage dropped 19-points to 835, while satisfaction with the handling of hail damage claims is highest at 858. Additionally, satisfaction with theft claims is 840 (+20 points from 2015), while satisfaction with fire claims is 839 and with mold 834 (-27 points and –38 points, respectively).

**Highest-Ranked Insurance Companies**

**Amica Mutual** ranks highest in overall satisfaction with the property insurance claims experience for a fifth consecutive year, achieving a score of 898. Amica Mutual performs particularly well in nearly all study factors. **Auto Club of Southern California Insurance Group** ranks second with a score of 879, followed by **COUNTRY Financial, Encompass,** and **Erie Insurance,** all scoring 863 in a tie.

USAA also achieves high levels of customer satisfaction, although the insurer is not included in the rankings due to the closed nature of its membership.

The 2016 Property Claims Satisfaction Study is based on more than 5,700 responses from homeowners insurance customers who filed a property claim between January 2014 and December 2015.

**Media Relations Contacts**

John Tews; Troy, Mich.; 248-680-6218; media.relations@jdpa.com


**About McGraw Hill Financial** www.mhfi.com

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**J.D. Power**

**2016 U.S. Property Claims Satisfaction Study**

**Award-Eligible Insurance Companies Included in the Study**

<table>
<thead>
<tr>
<th>Company Name</th>
<th>CEO Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto Club of Southern California Insurance Group</td>
<td>Robert Bouttier</td>
</tr>
<tr>
<td>Allstate</td>
<td>Thomas Wilson</td>
</tr>
<tr>
<td>American Family</td>
<td>Jack Salzwedel</td>
</tr>
<tr>
<td>Amica Mutual</td>
<td>Robert DiMuccio</td>
</tr>
<tr>
<td>Auto-Owners Insurance</td>
<td>Jeffrey Harrold</td>
</tr>
<tr>
<td>Chubb</td>
<td>John Finnegan</td>
</tr>
<tr>
<td>COUNTRY Financial</td>
<td>Kurt Bedell</td>
</tr>
<tr>
<td>CSAA IG (AAA)</td>
<td>Paula Downey</td>
</tr>
<tr>
<td>Encompass</td>
<td>Mark Green</td>
</tr>
<tr>
<td>Erie Insurance</td>
<td>Terrence Cavannaugh</td>
</tr>
<tr>
<td>Esurance</td>
<td>Jonathan Adkins</td>
</tr>
<tr>
<td>Farmers</td>
<td>Jeffrey Dailey</td>
</tr>
<tr>
<td>The Hanover</td>
<td>Frederick Espinger</td>
</tr>
<tr>
<td>The Hartford</td>
<td>Christopher Swift</td>
</tr>
<tr>
<td>Liberty Mutual</td>
<td>David Long</td>
</tr>
<tr>
<td>MAPFRE Insurance</td>
<td>Jaime Tamayo</td>
</tr>
<tr>
<td>MetLife</td>
<td>Steven Kandarian</td>
</tr>
<tr>
<td>Nationwide</td>
<td>Stephen Rasmussen</td>
</tr>
<tr>
<td>Safeco</td>
<td>Matthew Nickerson</td>
</tr>
<tr>
<td>State Farm</td>
<td>Michael Tipsord</td>
</tr>
<tr>
<td>Travelers</td>
<td>Jay Fishman</td>
</tr>
</tbody>
</table>

**Company Address**

- Los Angeles, Calif.
- Northbrook, Ill.
- Madison, Wis.
- Lincoln, R.I.
- Lansing, Mich.
- Warren Township, N.J.
- Bloomington, Ill.
- Walnut Creek, Calif.
- Northbrook, Ill.
- Erie, Pa.
- San Francisco, Calif.
- Woodland Hills, Calif.
- Hartford, Conn.
- Boston, Mass.
- Webster, Mass.
- New York, N.Y.
- Columbus, Ohio
- Seattle, Wash.
- Bloomington, Ill.
- New York, N.Y.

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### J.D. Power
#### 2016 U.S. Property Claims Satisfaction Study℠

**Overall Customer Satisfaction Index Ranking**

(Based on a 1,000-point scale)

<table>
<thead>
<tr>
<th>Insurance Company</th>
<th>Index Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amica Mutual</td>
<td>898</td>
</tr>
<tr>
<td>Auto Club of Southern California Insurance Group</td>
<td>879</td>
</tr>
<tr>
<td>COUNTRY Financial</td>
<td>863</td>
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<tr>
<td>Encompass</td>
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<tr>
<td>Erie Insurance</td>
<td>863</td>
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<tr>
<td>Safeco</td>
<td>857</td>
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<tr>
<td>State Farm</td>
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<tr>
<td>Liberty Mutual</td>
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<tr>
<td>The Hanover</td>
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<tr>
<td>Nationwide</td>
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<tr>
<td>American Family</td>
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<td>Chubb</td>
<td>851</td>
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<tr>
<td>CSAA Insurance Group</td>
<td>850</td>
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<tr>
<td>Farmers</td>
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<tr>
<td>Allstate</td>
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<tr>
<td>MetLife</td>
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<td>Industry Average</td>
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<td>Travelers</td>
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<tr>
<td>Auto-Owners Insurance</td>
<td>843</td>
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<tr>
<td>The Hartford</td>
<td>840</td>
</tr>
<tr>
<td>MAPFRE Insurance</td>
<td>837</td>
</tr>
</tbody>
</table>

*USAA

**Power Circle Ratings Legend**

- 5 Stars: Among the best
- 4 Stars: Better than most
- 3 Stars: About average
- 2 Stars: The rest

Source: J.D. Power 2016 U.S. Property Claims Satisfaction Study℠

Charts and graphs extracted from this press release for use by the media must be accompanied by a statement identifying J.D. Power as the publisher and the study from which it originated as the source. Rankings are based on numerical scores, and not necessarily on statistical significance. No advertising or other promotional use can be made of the information in this release or J.D. Power survey results without the express prior written consent of J.D. Power.

marylandmessenger 2016 mayjun
MAKING SAUSAGES IN ANNAPOLIS

I have to admit that this year I did not follow, as assiduously as I usually do, the machinations of the Maryland General Assembly. I am not sure whether my lack of attentiveness was due to the circus like atmosphere of the national political scene, the fact that local political rivalries took some of the air out of the smoke filed rooms, or that Annapolis politics sometimes can simply be less than interesting. Indeed, my mind keeps going back to Otto von Bismarck’s quote that “Laws are like sausages; it is better not to see them being made.”

But now that new sausages have been made, I think I must once again turn my focus as to what new laws have been passed. Some of the laws were very limited including those that dealt with what can be done with donated sperm (HB 11), medical marijuana (HB 104), turkey hunting on private property (HB 169) and golf carts in Crisfield (HB 253). Nevertheless, there are a few that piqued my interest enough to make me look them up online. Since there are many others that are discussing pure insurance laws in this issue, let me give you my thoughts as to some others that could be of interest to those that read this magazine.

I was not surprised to learn that the legislature enacted a significant new law (HB 507) that outlines how ‘fiduciaries’ are to deal with ‘digital assets’. Following the Uniform Fiduciary Access to Digital Assets recommendations, the new Maryland law deals with who has access to electronic records, rules for modifying terms of service agreements, when a ‘custodian’ or electronic record must disclose it to a fiduciary and other interesting tidbits. I had not thought that there were substantial issues regarding access to electronic sites and records, including social media sites and email accounts. But I am a relatively boring person who does not keep much interesting information in ‘electronic records’, social media sites (Facebook, Twitter, etc.), texts and/or secret email accounts. But for those that do, ‘fiduciaries’ may now have access to all this information (even the secret and scandalous information), unless specific steps are taken to the contrary. Perhaps it is time for those of us who have digital assets and records to update our wills and powers of attorney accordingly.

Two other bills caught my eye. One dealt with trade secrets of rate related information. The special sauce or formula that insurers use to create rates will be entitled to increased protection from Public Information Act requests and other disclosures under HB 958. The other dealt with public adjusters (SB 75). If enrolled, individuals will not have to have prior specified insurance related employment experience in order to receive a public adjusters license. As I hardly understand actuaries (who can go gaga over the most arcane minutia of math) and have few non-litigation experiences with public adjusters, I am not sure that I need to know these new laws; but I might just have to work them in to the next insurance related cocktail party I attend just to appear geeky.

To be fair, I might have to work a few more bills in to whatever future meetings I have and in future articles. After all, 834 of the 2817 introduced bills passed. There is always more sausage to be digested.
Big “I” Professional Liability Program
The Right Fit for Your Agency.

The Big “I” Professional Liability Program offers not just an insurance policy, but a comprehensive risk management program for insurance agents. For three decades the Big “I” Professional Liability Program, underwritten by Westport Insurance Corporation, a member of the Swiss Re Group (rated A “Excellent” by A.M. Best), has grown into the largest and most stable insurance agents E&O program in the nation. Our member agents and brokers nationwide look to the program for stable rates and a long-term market that they can rely on to protect their greatest assets—their businesses.

Coverage Highlights:

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- **Stability** - Nationally endorsed program with over 30 years experience and the largest independent insurance agency E&O program in the country, Rated “A+” (Excellent) by A.M. Best.
- **Exclusive** - An exclusive policy form and premium credits filed on a Risk Purchasing Group basis give Big “I” members tailored coverage.
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- **Agent Advocacy** - Supports lobbying and advocacy efforts of the IIABA.

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*Please note that all applications are subject to review, underwriting and approval by Westport Insurance Corporation, a member of Swiss Re Corporate Solutions.

Contact your dedicated IIAM E&O Program Manager to request a quote or additional information:

**Carla M. McGee, RPLU, ACSR**
410-766-0600 x 100
[carla@iiamd.org](mailto:carla@iiamd.org)
You’re going to have to spend money. There is no free version of success online. You are always going to pay. Everyone pays somehow. And there are four ways to do so. The first three are fairly obvious:

• Some will pay with their own time,
• Others will pay by allocating resources,
• Yet others will pay with capital.

The reality; for most agencies will be a combination of the three.

MISSED OPPORTUNITY

The independent insurance industry has a long tradition of guarding our time, resources, and capital. What do we do then, when faced with the decision of “pay and grow” versus “business as usual?”

We abstain. We wait. We kick the can. We bury our head in the sand and keep doing what we’ve always done.

The fourth way independent agencies pay for digital marketing is in the opportunity cost of not engaging. In many ways, the opportunity cost of inactive can be the most expensive way in which an agency pays for digital marketing.

Don’t believe me? A few days ago I was chatting with Roger Sitkins and he shared an incredible statistic with me: Generally speaking, for every $125,000 in revenue an agency generates, they can expect an additional $1,000,000 at sale time.

Even a modest amount of focused work on digital marketing can generate $125,000 in revenue over 12-18 months. Are you willing to leave $1,000,000 on the table?

HOW TO OPTIMIZE WHAT YOU PAY

It’s inevitable, we’re going to pay for success online. That doesn’t mean we spend without regard. Here are a few ways to optimize what you pay for digital marketing:

1) The office is expensive

Your office space is a fixed and heavy cost to daily agency operations. Additionally, the millennial workforce has an increasing desire for workplace flexibility. Why keep costs high when much of the work your agency does (i.e. service calls, outbound marketing and digital marketing) can be done remotely at a lower cost.

I know for many agencies this is a cultural step too far (we’re dealing with these issues currently at Trusted Choice.com). But for those principals looking at their agency as a business and not a lifestyle, providing low cost options is a boon opportunity.

2) Have a goal for every marketing dollar

Digital advertising is not digital marketing. Digital advertising is a subset of digital marketing. This is an important distinction to understand. Buying display ads is not digital marketing, it’s digital advertising. There is nothing wrong with digital advertising. Nothing.

Digital marketing is a broad term to explain the work we do in creating content, social media and email marketing. Here is the traditional cost/benefit analysis of digital marketing versus digital advertising:

Digital marketing is lower cost (than digital advertising) in terms of dollars and creates long-tail results which can last for years (at almost no cost). The downsides to digital marketing are a need for more upfront resources and more lag time to results.

Digital advertising can generate almost immediate results and comes with a high degree of targeting potential. The downsides of digital advertising are higher costs and no long-tail benefit.

What is a long-tail benefit? You write a blog post and that post lives forever on your website attracting new potential insurance buyers as long as your website exists. Display ads on the other hand only produce results until the money runs out. Once you’re out of money the ads stop showing. This doesn’t mean that display ads don’t serve a purpose, they definitely do, just not the purpose most people assume. Display ads are a branding tool. They are not meant to drive inbound leads. Display ads get your logo in front of consumers. Which for well established brands such as GEICO or State Farm, makes complete sense. For small businesses, the impact of display ads is negligible.

If you’re interested in immediate results and are willing to pay, my suggestion would be Google pay-per click ads (different from banner ads). Depending on the line of business you’re interested in, these Google pay-per click ads can have a higher cost. That being said, there is no better way to drive new business opportunities to your agency than Google pay-per click. Mixed with a solid website (and blog), Google

(Con’t on page 12)
pay-per click ads can work incredibly well.

3) Make sure work gets done

How many times have you started a marketing initiative only to have it languish when something seemingly more urgent came up?

The problem is, we never get back to unfinished projects. We’d rather process a car change than write a blog post or create a video which could help drive new business to the agency. There is no better way to drive up the cost of digital marketing than starting a project and never finishing it. Take ownership of agency growth and make sure the work gets done.

4) Create once. Promote often.

We waste a lot of time coming up with new ideas. New ideas are tough to come by. The only way I came up with my 100 questions answered in 100 days was to harass my friends, family and clients. No. Don’t waste time trying to come up with new ideas. A better method is to use the good ideas you’ve already had and repurpose them into new forms of content. Take your most popular blog post, do a spin-off video and post to YouTube. Take that same blog post and republish to LinkedIn Publisher, Facebook Notes and Medium. Then create a Slideshare document out of major points of the post and share that on social media. These are just a few of the ways you can create once, but promote over and over again.

5) Hit Publish

You’ll never generate revenue from content you don’t publish. You can spend a lot of time, resources and capital in the creation process, but if you never Hit Publish it’s all for nothing. Your spelling will never be perfect. Your sentence structure will never be perfect. Your video lighting will never be perfect. Your graphics will never be perfect.

There is no way to know which piece of content generate a flood of new inbound leads and which will be a complete dud… until you Hit Publish. So Hit Publish.

THE RUB

Here is the gameplan: Use the everyday interactions you have with clients and prospects to generate ideas. Turn those ideas into content. Promote the holy heck out of each piece of content. Use digital advertising to accelerate the growth and expand the reach of your highest performing content. Rinse. Repeat.

Ryan Hanley is the Head of Agency Nation, the insurance industry’s leading source for sale, marketing and automation strategy. As a former independent insurance agent and Certified Insurance Counselor, Ryan has worked with hundreds of insurance clients.
On March 10th, Shelley Arnold and Carla McGee, staff members at IIA Maryland, presented Paul Green and Liz Knofski of Maury, Donnelly & Parr, with a plaque from IIAM acknowledging the agency’s 100+ years as members.

It was actually 104 years ago that Israel M. Parr and Henry Parr, along withJoshau and Philip Harvey signed incorporation papers for what was then ‘The Parr & Parr Harvey Company’. The corporate name was changed in 1930 when Henry and Ral Parr were joined by Urlwin Michaels, to ‘Maury, Donnelly & Parr, Inc.’ The agency actually joined the Independent Insurance Agents of Maryland on May 30, 1914, making them one of our oldest members.

Some things have changed since that time and some things haven’t. The firm is still housed in the same building at Commerce and Water Streets in Baltimore City. The agency, a full service and fully automated agency has managed to weave the historical value of their premises into the very fabric of the agency and its operations. Their attention to historical properties is evident in their management of their program for National Trust Insurance.

The agency continues to grow and be a valued presence in Baltimore City. IIA Maryland wishes MDP continued success.
Unlikely Foe?

Carrier claims against agents and brokers are on the rise

By David Hulcher

A decade ago, E&O claims involving carriers suing agents were rare. But E&O claims data from the Big ‘I’ Professional Liability Program’s endorsed carrier, Swiss Re Corporate Solutions, records a clear upward trend in the number of E&O claims carriers make against agents and brokers. Recently, carriers seem to be much more aware of the deep pocket and backstop of the agents E&O policy. They find value in preserving customer relationships by paying their customer’s underlying claim and performing some “post loss underwriting” by taking a stance against the agent.

What does this mean for you? From an agency E&O risk management perspective, it’s more important than ever to understand carrier related E&O exposures. These claims often stem from:

- **Providing the carrier with inaccurate or incomplete information.** An agent remarkets an account to a new carrier and uses the prior application to enter information in the new carrier’s underwriting system. Since a few additional questions were not provided on the old application, the agent calls the insured and requests the additional information, including a question about prior losses. The insured said there were none, but when a new loss occurs, the carrier takes the position that a material misrepresentation occurred, arguing that had it known about the prior losses, it would not have insured the customer. The carrier pays the loss and files suit against the agency to recoup its claim payment.

- **Exceeding binding authority.** A carrier grants an agency binding authority for policies up to $250,000. When the agent binds a policy containing limits in excess of $250,000 and a large loss occurs, the carrier is likely to deny on the basis that the agent exceeded his or her authority—or will cross claim against the agent, seeking indemnity.

- **Failing to adequately explain policy provisions.** An agent obtains a policy for a customer’s newly acquired property that contains a 60 day vacancy clause. The new owner then fails to occupy the new property for more than 60 days, and a water leak causes substantial damage to the building. Both the customer and the carrier that denies coverage based on the vacancy clause argue that the agency failed to properly explain policy provisions.

- **Failing to comply with underwriting guidelines.** An agent has binding authority with a carrier that insures boats, subject to the carrier’s underwriting guidelines, which restrict coverage to pleasure crafts under a specified horse power and length. After a serious loss occurs, the carrier denies coverage because it determines that the boat in question slightly exceeds both limitations. If forced to pay the loss, the carrier will file suit against the agency for failing to comply with its guidelines.

Make sure your agency’s staff is aware of the potential E&O exposures with carriers and get your E&O carrier involved early if there is a possibility that a carrier will make a claim against the agency.

David Hulcher is former Assistant Vice President of Agency Professional Liability Risk Management for Big I Advantage®.
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For more information, call Christine Munoz at (800) 848-4401 or email christine.munoz@iiaba.net for a free plan consultation.
The 2016 legislative session marked the second year of the first term for a very large freshman class of legislators. With that came one of the highest number of bills introduced and therefore a very busy 90 days. The Independent Insurance Agents of Maryland was faced with many bills that came out of the task force addressing uninsured drivers in the state. The following article summarizes many of the bills. Bills related to insurance and their disposition can be found on IIAM’s website in the Legislative Bulletin.

**SB 784/HB 900: Motor Vehicle Insurance – Personal Injury Protection – Rejection of Coverage**

This bill was born out of the task force created to deal with the uninsured motorists in the State of Maryland. As originally drafted, this legislation would have allowed anybody to waive Personal Injury Protection (PIP) at any time, for any reason. Due to the lobbying efforts of the Independent Insurance Agents of Maryland and other industry players, the bill was more narrowly amended to deal with those who were previously uninsured to waive PIP coverage if they were obtaining their coverage through the Maryland Automobile Insurance Fund (MAIF). Specifically, the bill provides that MAIF shall offer a first named insured, at the time of application for a personal automobile insurance policy, the option to reject coverage for PIP prior to the application if the applicant has not been insured continuously for at least one year. The legislation also provides that an insurer other than MAIF may offer a first named insured at the time of application the option to reject coverage for PIP if the applicant was insured by an insurer other than MAIF and the insurer under the prior policy canceled the policy before the end of the policy term.

The Independent Insurance Agents of Maryland successfully amended this legislation to address the concern that by allowing everyone to waive PIP coverage, which is an important benefit for very little cost for most insured drivers, the E&O liability exposure for an independent agent would increase when a person files a claim to only realize that they have waived such a vital and inexpensive coverage. The outcome of this legislation is something that we were able to live with in light of the amendments that were accepted.

Another provision that was added to the bill was that the election to reject PIP coverage is effective until the end of the policy’s term unless the first named insured withdraws the rejection in writing, obtains a motor vehicle liability insurance policy for the insured motor vehicle from another insurer; or increases any coverage under the policy to an amount that exceeds the minimum liability coverage required under Maryland law.

**HB 636: Maryland Tort Claims Act - Certain Claim Requirement - Exception**

Currently, Section 12–106(b)(1) and (2) of the State Government Article provides that a claimant may not institute an action against the state unless he or she submits a written claim to the Treasurer or a designee of the Treasurer within 1 year after the injury to person or property that is the basis of the claim and the Treasurer or designee denies the claim finally. This legislation provides that (b)(1) and (2) of the section does not apply if within 1 year after the injury to person or property that is the basis of the claim; the state has actual or constructive notice of (1) the claimant’s injury; or (2) the defect or circumstances giving rise to the claimant’s injury.

The bill takes effect on October 1, 2016.

**HB 912/SB 888: Motor Vehicle Insurance - Program to Incentivize and Enable Uninsured Vehicle Owners to Be Insured**

This bill also was born out of the task force to deal with insured drivers. The bill creates a ‘Program to Incentivize and Enable Uninsured Vehicle Owners to Be Insured’, in the Motor Vehicle Administration (MVA). The purpose of the program is to reduce the number of uninsured vehicles in the state by incentivizing and enabling uninsured vehicle owners with delinquent uninsured vehicle penalties to be insured. The bill provides that the MVA will remove or waive a portion of delinquent uninsured vehicle penalties on vehicle owners; and, as a condition of waiving a portion of those penalties, require vehicle owners to purchase and maintain car insurance. The program period will be for up to 90 days and begin no earlier than January 1, 2017 and end no later than December 31, 2017.

A vehicle owner is eligible to participate in the program if he or she is a resident of the state, does not have automobile insurance, has delinquent uninsured vehicle penalties that became delinquent before January 1, 2014, and has not been issued a judgment by...
Years ago, the law used to provide years ago on request of the Maryland legislation that was passed many years ago.

This bill sought to rectify some Compensation Insurance Policies Commercial Policies and Workers’ and Casualty Insurance - HB 1408/SB 851: Property regulations to carry out the provisions exceeds $3,000. The MVA may adopt least one year if the waiver amount on the vehicle be maintained for at least one year if the waiver amount.

The MVA may require that the required security may require that the required security or the individual maintain insurance for paid within 6 months after entry into paid within 6 months after entry into the Program and the remaining balance owed to be be paid within 6 months after entry into the program.

Finally, the bill requires that the insured or the individual maintain insurance for a period of at least 6 months and also may require that the required security on the vehicle be maintained for at least one year if the waiver amount exceeds $3,000. The MVA may adopt regulations to carry out the provisions of the Section.

HB 1408/SB 851: Property and Casualty Insurance - Commercial Policies and Workers’ Compensation Insurance Policies - Notices of Premium Increases This bill sought to rectify some legislation that was passed many years ago on request of the Maryland Insurance Administration (MIA) under Commissioner Ralph Tyler.

Years ago, the law used to provide that notice of a premium increase to commercial policyholders and workers’ compensation policyholders was necessary only if the increase was over 20%. The MIA successfully had legislation passed to require that the notice be provided no matter what the increase was. This only created confusion in the marketplace for sophisticated purchasers of insurance such as commercial insureds and businesses that purchase workers’ compensation insurance. Subsequently, there was legislation that provided that the notice requirement was required if the renewal policy premium was in excess of $1,000 and the increase of the expiring policy premium was the lesser of 3% or $300.00. That legislation only added more confusion to the marketplace.

This legislation provides that the notice of increase of premium for a commercial insured and a workers’ compensation insured will apply only when the increase of the premium is over 15%. This is a measure that was supported by the Independent Insurance Agents of Maryland and will provide the clarity that has been needed and desired since the statute was amended so many years ago.

HB 557: Homeowner’s Insurance - Underwriting Standards - Deductibles

This legislation provides that an insurer may issue a policy of homeowner’s insurance that includes a deductible that is equal to a percentage of the Coverage A – Dwelling Limit of the policy. It also provides that the insurer may 1) require the deductible in a policy of the homeowner’s insurance or 2) offer the deductible as an option to an applicant or insured. The legislation provides that an insurer that has adopted an underwriting standard that requires a mandatory hurricane deductible equal to a percentage of the Coverage A – Dwelling Limit of the policy shall apply the 1) only beginning at the time the National Hurricane Center of the National Weather Service issues a hurricane warning for any part of the state and ending 24 hours following the termination of the last hurricane warning issued for any part of the state and 2) regardless of where the insured’s home is located in the state.

It also removes that requirement that the percentage deductible exceeding 5% be met with prior approval by the Insurance Commissioner before usage. Rather it provides that the underwriting standard needs to be filed with the Insurance Commissioner. The bill provides that those insurers that apply this deductible need to provide the policy holder with an annual statement explaining the manner in which the deductible is applied. It also requires the insurer to send a copy of the form used to provide the statement to the Commissioner prior to its use. The legislation also proscribes how the statement should read.

HB 395: Joint Insurance Association - Insurers - Notice

This is a bill that the Independent Insurance Agents of Maryland opposed from the beginning that passed through the House and was ultimately defeated in the Senate Finance Committee thanks to the lobbying efforts by the Association. This bill would have provided that an insurer that denies all the coverage requested by an applicant for a policy of homeowner’s insurance must provide a notice to the applicant of the possible availability of homeowner’s insurance through the Joint Insurance Association. It went on to provide that in the case of an applicant who applies to multiple insurers through a single insurance producer, the requirement of this section may be satisfied by a single notice to the applicant from the insurance producer on behalf of all the insurers.

We met with the Senate Finance Chairman to discuss the issue as
it pertains to insurance producers. We were successful in obtaining amendments to carve out the language dealing with the producer providing the notice to the applicant. That said, however, the Property & Casualty Subcommittee of the Senate Finance Committee elected not to take further action on the bill and the bill was defeated in the Senate Finance Committee. We do expect that this legislation will come back again next year to make a third attempt.

**SB 234: Agreements to Defend or Pay the Cost of Defense – Void**

This bill renders void and unenforceable as a matter of public policy under state law, certain agreements to defend or pay the costs of defending specified promisees or indemnitees against liability for damages arising out of bodily injury to any person or damage to property caused by or resulting from the sole negligence of the promisee or the indemnitee, or their agents or employees. The scope of the agreements relate to architectural, engineering, inspecting, or surveying services or the construction, alteration, repair, or maintenance of property.

Mr. Lininger is legislative counsel to the Association. He is also a Principal at the law firm of Semmes, Bowen & Semmes where he is Chair of the Business Practice Group. He represents clients from various industries, including insurance, energy, transportation, healthcare, and information technology, before the Maryland General Assembly and State Agencies. He also represents companies pertaining to business matters.

Mr. Lininger was the Director of Government Relations for the Maryland Insurance Administration under Commissioner Alfred W. Redmer, Jr., during the Administration of Governor Robert Ehrlich, Jr. He then established his own government affairs consulting firm prior to joining Semmes. He most recently served on the Transition Team for Governor Lawrence J. Hogan, Jr.

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Beyond the immediate benefits you’ll enjoy when participating in the program, your flood business supports the important flood government advocacy work of IIABA. The Big “I” works tirelessly to ensure your interest as independent agents are well represented on Capitol Hill. And, your support of the Big “I” Flood program with Selective helps the Big “I” better serve you!

Big “I” government affairs efforts contributed to the reauthorization of the National Flood Insurance Program (NFIP) and the independent insurance agent representation in the Homeowners Flood Insurance Affordability Act of 2014 (also known as HFIAA or Grimm-Waters 14).

It is through production generated from Big “I” Flood appointed agents that Selective provides financial resources supporting legislative advocacy efforts on behalf of independent agents, by promoting NFIP reform and sustainability.

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Selective is also the only insurer that directly supports the Big “I” national and state advocacy efforts in Congress and with the NFIP. United, we can help independent agents have a strong voice of flood insurance, by placing more business through the Big “I” Flood program.

Learn more at www.iiaba.net/Flood
A.M. Best Reaffirms the Financial Strength Rating of A- (Excellent) for Chesapeake Employers Insurance

(TOWSON, Md.) — A.M. Best Co. has reaffirmed a financial strength rating of A- (Excellent) and an issuer credit rating of “a-” for Chesapeake Employers’ Insurance Company as of February 17, 2016. The outlook assigned by A.M. Best to both ratings is stable.

“This rating reflects our continued efforts to build our financial strength and boost our management capabilities,” said Tom Phelan, President and CEO of Chesapeake Employers’ Insurance Company. “Financial strength, dedication to Maryland business owners and agents, technology, and underwriting discipline continue to be the focus of Chesapeake Employers Insurance. This coveted rating by A.M. Best affirms to us that our strategy is sound.”

In October 2013, Chesapeake Employers transitioned from an independent state agency to a non-stock, not for profit, private insurance company and received its first financial strength rating of A- (Excellent) that same year. Established in 1914, Chesapeake Employers is Maryland’s largest writer of workers’ compensation insurance. The company, which has assets of more than $1.8 billion, employs approximately 400 professionals and works with more than 1,800 insurance agents.

Chesapeake Employers Insurance Announces Four Promotions

(TOWSON, Md.) —

Joan Adelman was recently promoted to Assistant Vice President of Legal Services for Chesapeake Employers’ Insurance Company. In addition to continuing to practice before the Workers’ Compensation Commission, Ms. Adelman is responsible for the day-to-day operations of the Legal department, including supervision of attorneys. Ms. Adelman also oversees the Legal department’s appellate practice. Prior to her new position, Ms. Adelman was Director of Legal Services. She joined Chesapeake Employers in 1998.

Brian Furr was recently promoted to Assistant Vice President of Legal Services-Special Investigations Unit (SIU) and Premium Audit for Chesapeake Employers’ Insurance Company. In this position, Mr. Furr is responsible for overseeing the day-to-day operations of the SIU and Premium Audit departments. Prior to his new position, Mr. Furr was the Director of Maryland Claims, including the State Employees Risk Management Administration (SERMA) function. Before that, he was Director of Health Services. Mr. Furr joined Chesapeake Employers in 1992.

(Con’t on page 20)
Tammy Wescott was recently promoted to Director of Claims, State of Maryland, for Chesapeake Employers’ Insurance Company. In this position, Ms. Wescott is responsible for managing the State of Maryland claims, implementing the operational strategy for the State Claims department, continuing to foster good relationships with state agencies, and working with the State Employee Risk Management Administration (SERMA). Prior to her new position, Ms. Wescott was a Claims Supervisor. Ms. Wescott joined Chesapeake Employers in 2007.

Kallie Shrader was recently promoted to Director of Business Advisory Services for Chesapeake Employers’ Insurance Company. In this position, Ms. Shrader is responsible for analyzing workload metrics and business plans in conjunction with the company’s strategic plan. Prior to her new position, Ms. Shrader was a Senior Business Advisor. Ms. Shrader joined Chesapeake Employers in 1999.

About Chesapeake Employers’ Insurance Company
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.

Brethren Mutual Names King As New Farm Underwriting Manager
Hagerstown, MD – The Brethren Mutual Insurance Company is pleased to announce Hope King as the Company’s new Farm Underwriting Manager, effective March 1, 2016. Hope is to replace retiring Farm Underwriting Manager MaryAnn Jones after her 39 years of service at the company.

Joining Brethren Mutual in October 2011 as a Commercial Lines Underwriter, Hope brings 10 years of insurance experience in property and casualty insurance with Liberty Mutual and Utica National.

As Brethren Mutual’s Farm Underwriting Manager, Hope is responsible for overseeing the company’s Farm Underwriting Department and will focus on the profitability, productivity, growth and quality of Brethren’s farm lines of business.

Earning a Bachelor’s degree in Business/Marketing from Frostburg University (Frostburg, MD), Hope holds the AU (Associate in Underwriting) designation and is currently working toward the CPCU (Chartered Property Casualty Underwriter) and AFIS (Agribusiness and Farm Insurance Specialist) designations.

King resides in Hagerstown.

(Con’t from page 19)
Maury, Donnelly & Parr welcome new VP of Commercial Lines

Maury, Donnelly & Parr, Inc, welcomes Brant Palmer as our new Vice President of Commercial Lines. In this role, Brant will be afforded the flexibility and authority to lead the Commercial Insurance Division of MDP.

Brant comes to MDP from CNA’s regional branch office in Baltimore, Maryland, where most recently he served as the Branch Vice President. There he was responsible for the Baltimore Branch, managing the CNA Enterprise and all aspects of his staff's professional growth, sales, and underwriting efforts. Prior to CNA, Brant was with The Hartford in their Houston, Texas office, where he served as their Middle Market & Specialty Commercial Manager, ascending from underwriting. Brant began his career on the retail side of the industry with Brown & Brown Insurance, where he had responsibilities for both marketing and production of business. He currently resides in Ellicott City, Maryland, with his wife, Ashley, and their son, William.

Brant has a broad skill set that we are excited to add to our team at MDP. His prior roles, responsibilities, and experience will no doubt augment the current outstanding team already assembled here. Please join us in welcoming Brant to Maury, Donnelly & Parr, Inc.

Agency M&A Activity will Inevitably Slow Down

Robert Rusbuldt, Big “I” president & CEO, discusses future of independent agency system.

ALEXANDRIA, Virginia— Before a North Carolina forum, Independent Insurance Agents & Brokers of America (IIABA or the Big “I”) president & CEO, Robert Rusbuldt, discussed the independent agency system.

During his keynote address, Rusbuldt discussed numerous industry trends including the hot topic of mergers and acquisitions (M&A).

"Agency M&A activity will eventually slow down," said Rusbuldt. "It is unrealistic to expect the M&A frenzy will continue for the long term at this pace for a host of reasons."

The average number of mergers and acquisitions of some scale over approximately the last 10 years was 276 per year. In 2014 the number was 310 and in 2015 it was 401.

Rusbuldt noted that the reasons for current M&A activity include:

- **Low Interest rates:** cost of capital is inexpensive and fueling acquisitions by private equity, aggregators and consolidators.
- **Volatile stock market:** slowing national and global growth are contributing to a search for returns from industries with reoccurring cash flows.
- **Technology advances:** by leveraging technology, larger agencies can achieve operational and digital marketing efficiencies.
- **Aging agency owners:** retiring baby boomers are creating a ready pipeline for acquisitions, especially for agency owners who don’t have a diversified pool of assets to generate retirement income, or do not have an internal perpetuation plan.

"There are numerous reasons why M&A will eventually slow down but some of the major ones include a shrinking pool of available larger agencies offering scale that have not already been involved in M&A activity; inexpensive capital will eventually end; ROI will increase in other sectors and vehicles; and the math of high multiples for agencies in many cases outpaced the possibilities for efficiencies and/or organic growth," continued Rusbuldt. "While no one can predict an exact date when agency M&A will slow down, it is inevitable."
House Agriculture Committee Chairman Mike Conaway is Big “I” Legislator of the Year

Texas Republican praised for leading charge to protect crop insurance program.

WASHINGTON, D.C.,—Rep. Mike Conaway (R-Texas), Chairman of the U.S. House of Representatives Committee on Agriculture, is the Gerald Solomon-Independent Insurance Agents & Brokers of America (IIABA or the Big “I”) Legislator of the Year for 2015.

Chairman Conaway was instrumental in ensuring that the Federal Crop Insurance Program (FCIP) was not harmed during the 2014 Farm Bill negotiations, and led the charge to reverse $3 billion in program cuts included in the 2015 Bipartisan Budget Agreement. The combination of these cuts, coupled with the $12 billion in cuts to the program over the past eight years, would have devastated the crop program and its agent distribution force.

In his acceptance remarks, Rep. Conaway discussed how he negotiated the reversal of budget cuts that ultimately preserved the efficacy of the FCIP. He also graciously thanked his colleagues, staff and the Big “I” agents who worked with him on the effort.

“Breaking down last year’s budget deal was a big issue and it was bipartisan,” said Rep. Conaway. “There were bipartisan efforts on all sides.”

Rep. Conaway also said that the FCIP discussion “gave us the opportunity to tell the world why crop insurance is so important and to walk them through the history of the cuts.”

The Big “I” fought alongside Rep. Conaway and launched a nationwide grassroots campaign against reopening the Farm Bill to cut crop insurance. The Chairman noted that launching grassroots and explaining the program to members of Congress helps lay the groundwork for future Farm Bills and legislation.

“We are grateful to U.S. House of Representatives Agriculture Committee Chairman Mike Conaway for his efforts to staunchly protect the crop insurance program and his unwavering commitment to protecting American agriculture,” said Bob Rusbuldt, Big “I” president & CEO, who presented the award. “Chairman Conaway fought off numerous budget attacks on the program that provides a safety net for America’s farmers and ranchers and did so in a swift, bipartisan fashion. Restoring funding after budget cuts, particularly so quickly, is an incredibly difficult task, however the Chairman was persistent, strategic and ultimately successful in protecting the FCIP.”

Serving his sixth term in the House, Rep. Conaway represents the 29 counties that comprise the Lone Star State’s 11th congressional district, which includes the cities of Midland, Odessa and San Angelo. In addition to leading the Agriculture Committee, he serves on the House Armed Services Committee and the Permanent Select Committee on Intelligence. He also holds a leadership position as Deputy Republican Whip.

A native Texan, he grew up in Odessa and earned a Bachelor of Business Administration degree in accounting from Texas A & M University-Commerce. Rep. Conaway also served in the U.S. Army.

The Legislator of the Year Award is bestowed annually by the Big “I” upon a member of Congress who has provided outstanding leadership on insurance issues. It is named as a tribute to the late Congressman Gerald Solomon (R-New York), the former House Rules Committee chairman and Big “I” member who championed independent agent and broker legislative concerns during his 20 years in Congress.

The award was presented during the annual Leadership Luncheon, just prior to the annual Big “I” Legislative Conference in Washington, D.C. Attendees included Big “I” executive and government affairs committee members, agents and brokers from Rep. Conway’s home state of Texas and other industry leaders.
Sen. Chuck Schumer Discusses Crop, Flood and Terrorism Insurance

New York Democrat delivers keynote address at annual association gathering.

WASHINGTON, D.C.,—Sen. Chuck Schumer (D-New York) delivered a keynote address to the Independent Insurance Agents & Brokers of America (IIABA or the Big “I”) membership at its annual Legislative Conference.

During his remarks, he focused on insurance-related legislative initiatives relevant to his home state of New York and the country—“a few areas where we’ve worked together and need to continue working together,” he said.

According to Sen. Schumer, the collaborative effort between independent insurance agents and leaders on the Hill has spanned three key areas:

1) Crop insurance. “People forget this, but New York has a thriving agriculture industry,” Sen. Schumer said, pointing out the state has the third-largest rural population in the U.S. “But we have weather, heavy snows, early freezes, floods and storms these days. Across upstate New York, crop insurance is a crucial element in the safety net that protects farmers that can put small organizations out of business.”

Last year, overwhelming opposition from the agriculture industry to proposed Federal Crop Insurance Program cuts led Congressional leaders and Agriculture Committee Leadership to negotiate a legislative fix. In March, the Big “I” sent a letter to Senate and House Budget and Appropriations Committee chairs urging them to reject calls for additional cuts to the FCIP during the fiscal year 2017 appropriations process.

Specifically, Sen. Schumer discussed the growing craft brewery industry and the need to keep barley farmers in mind when reforming crop insurance mandates. “It will not just help those who grow barley,” he said. “It’ll help an industry that’s thriving and creating jobs in upstate New York.”

2) Flood insurance. Sen. Schumer recalled New York’s reliance on flood insurance after Superstorm Sandy—an event necessary to keep at the forefront of National Flood Insurance Program (NFIP) reauthorization in 2017. “It’s an understatement to say flood insurance was vital to the recovery that is now about 80-90% complete,” he said.

Thanks to the Homeowner Flood Insurance Affordability Act of 2014, major NFIP changes took effect on April 1, including new mapping procedures and premium increases. As the NFIP remains under scrutiny, H.R. 2901, the “Flood Insurance Market Parity and Modernization Act,” continues to circulate in the U.S. House of Representatives. This bill clarifies that state regulators have authority over private flood insurance and ensures that policyholders can return to the NFIP without losing their grandfathered status or subsidy if they had previously left the program and obtained coverage in the private market. This is an important protection for consumers and an E&O protection for agents.

NFIP reform, Sen. Schumer said, must make flood insurance available for all those who need it: “We have to ensure the solvency of the program and we must do so in a way that doesn’t put the cost of flood insurance out of reach for the average homeowner.”

3) Terrorism insurance. More than a year ago, Congress reauthorized the “Terrorism Risk Insurance Program Reauthorization Act of 2015” (TRIA) for another six years and established the National Association of Registered Agents and Brokers (NARAB II)—without negatively impacting the program’s overall efficacy, Sen. Schumer explained.

“In most instances, you need both business and government to work well together, and terrorism insurance is one of them,” Sen. Schumer said. “This idea that we don’t need the government to be a backstop in certain areas is impractical.”

Terrorism insurance has spurred economic growth in downtown New York after 9/11—despite many predictions that “southern Manhattan would become a ghost town,” Sen. Schumer noted. “Not only do we have more jobs today in the tech industry in downtown New York, but people are starting to come live there—all because of terrorism insurance.”

“If you read American history, we always solve our problems—because we are a fundamentally practical, problem-solving, non-ideological, optimistic culture,” he said.

Sen. Schumer was elected to the U.S. Senate in 1998. In addition to his leadership positions, he also serves on the Senate Finance

(Con’t on page 24)
Committee and as the Ranking Member on the Senate Committee on Rules and Administration. He also serves on the Committee on Banking, Housing, and Urban Affairs; the Judiciary Committee, where he is Ranking Member of the Subcommittee on Immigration and the National Interest; and the Joint Committee on the Library. He previously served in the U.S. House of Representatives and in the New York State Assembly. Sen. Schumer earned his bachelor’s degree with Harvard College and is also a graduate of the Harvard Law School.

Sen. Tim Scott (R-South Carolina) also delivered a keynote address at the breakfast event which occurs just before members go to Capitol Hill to lobby their federal representatives. The Big “I” Legislative Conference is the insurance industry’s best-attended, most effective legislative meeting.

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Maryland Moves in the Right Direction

by Scott Zilber

The Top 10 Most Expensive Places to Die- is an ominous list for any state to be a part of and Maryland has been on this list for some time. In fact, until 2014 Maryland had not made a change to the Estate Tax in the 12 previous years. The new Maryland law allows for a tax of up to 16% on all estates in excess of $2,000,000. The current federal law allows for a 40% taxation on individual decedents estates in excess of $5,450,000 (indexed for inflation) which is up from $5,340,000 in 2014 and $5,430,000 in 2015.

On March 20th 2014 legislators in Annapolis agreed to recouple Maryland’s estate tax exemption with the federal exemption. The Maryland exemption increased to $2,000,000, this year that number grows to $3,000,000 in 2017, $4,000,000 in 2018 and will couple with federal exemption in 2019 ($5,900,000 estimated).

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<tr>
<td>2015</td>
<td>$1,500,000</td>
<td>$5,450,000</td>
</tr>
<tr>
<td>2016</td>
<td>$2,000,000</td>
<td>$5,560,000</td>
</tr>
<tr>
<td>2017</td>
<td>$3,000,000</td>
<td>$5,670,000</td>
</tr>
<tr>
<td>2018</td>
<td>$4,000,000</td>
<td>$5,783,000</td>
</tr>
<tr>
<td>2019</td>
<td>$5,900,000(2)</td>
<td>$5,900,000</td>
</tr>
</tbody>
</table>

(1) Estimated at a 2% annual inflation rate
(2) Coupled to the estimated 2019 Federal exemption

Maryland does still have an Inheritance tax, this is a separate tax that of up to 10%. While most close relatives and charities are exempt from the tax there are many who see this as an undue burden.

The 2014 law that increased these exemptions is a step in the right direction. It is hoped that these changes will keep wealthy residents and business owners in Maryland by taking away the allure of neighboring states that do not tax the transfer of wealth.

The Federal Level

The Federal estate tax exemption and rate have been moving targets for the past decade and a thorn in the side of most advisors. Clients who chose to start planning for the transfer of their estate were forced to make decisions based on prior laws that were almost certain to be different at the time of their deaths. On January 1st 2013 the uncertainty ended (for now) and congress made the federal exemption permanent and indexed for inflation on an annual basis by passing ATARA (The American Tax Payer Relieve Act of 2012). The exemption was $5,430,000 in 2015 and increased to $5,450,000 in 2016, including a top Estate Tax rate of 40%.

<table>
<thead>
<tr>
<th>Year</th>
<th>Federal Exemption</th>
<th>Federal Estate Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$1,000,000</td>
<td>50%</td>
</tr>
<tr>
<td>2006</td>
<td>$2,000,000</td>
<td>46%</td>
</tr>
<tr>
<td>2010</td>
<td>Repealed</td>
<td>Repealed</td>
</tr>
<tr>
<td>2014</td>
<td>$5,340,000</td>
<td>40%</td>
</tr>
<tr>
<td>2015</td>
<td>$5,430,000</td>
<td>40%</td>
</tr>
<tr>
<td>2016</td>
<td>$5,450,000</td>
<td>40%</td>
</tr>
</tbody>
</table>

(Con’t on page 26)
Portability is now “Permanent”

Portability of the federal estate tax became a permanent fixture with no expiration date when congress pass ATARA on the first day of 2013.

What is portability?

When a spouse dies, if they did not use their federal exemption and an estate tax return is filed in a timely manner, the unused exemption can transfer to the surviving spouse. In a case where the first spouse has not used any of their exemption the portability option can effectively double the estate tax exemption ($10,900,000 in 2016). This option may allow many couples to simplify their estate planning.

Conclusion

The federal and Maryland estate tax exemptions are always a center of discussion when designing an estate plan for clients. It is important to make your clients aware of these recent developments. If you have clients who have developed an estate plan it should be reviewed. It is quite possibly they may wish to take advantages of options that were not available at that time.

Please feel free to contact me with any questions.

As an associate member of the IIAMD we look forward to working with other members to help them round out their business by partnering to bring our services to their clients. In 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

Scott A. Zilber and Belman Klein Associates, Ltd. are not tax advisors. Use of any information from this article is for general information only and does not represent personal tax advice either express or implied. You are encouraged to seek professional tax advice for questions and assistance.

IIAM congratulates Scott and his wife on the addition of their new daughter, born April 10th. The little one, Samara Bayla Zilber was 7 lbs 6 oz 20 inches long. Everyone is healthy and happy.
DOL Finalizes Fiduciary Rule
By Jennifer Webb

Yesterday, the U.S. Department of Labor (DOL) released a new fiduciary regulation that tightens conflict of interest rules under the Employee Retirement Income Security Act (ERISA). The rule is slated to begin taking effect early next year, but does not go into full effect until 2018.

The new regulation requires any person who provides guidance to clients about some retirement investments to adhere to a fiduciary standard of care. The rule primarily impacts IRAs, though it will also impact many 401(k) retirement plans. Moving forward, those who provide investment advice must either avoid compensation arrangements that create conflicts of interest or comply with the terms of an exemption the DOL issues.

Since the DOL first proposed the rule in April 2015, the Big “I” and others voiced concerns that the rule’s overly broad and complex requirements could lead to investor harm and limit consumer access to professional advice. While the DOL made some changes to the final rule based on these concerns, the rule’s wide range of requirements will still increase oversight costs and legal exposure for independent agencies and insurance companies that offer ERISA-covered retirement products. The increased costs and exposure will likely limit access to advice for consumers who need it the most: mid- and low-income consumers with small balance retirement accounts.

The Big “I” supports numerous legislative measures that seek to address concerns about the rule. In February, two companion measures that would require Congress to approve the DOL rule passed out of committee in the U.S. House of Representatives, but have not yet seen a floor vote. Additionally, at least five other related bills are pending in the House and the U.S. Senate.

More information about the rule is available on the DOL’s website (http://www.dol.gov/protectyoursavings/). Big “I” staff will continue reviewing the rule, which exceeds 1,000 pages, and its implications for independent agents. For additional articles and updates, keep an eye on upcoming editions of the News & Views e-newsletter.

Jennifer Webb is Big “I” federal government affairs counsel.

- See more at: http://www.iamagazine.com/news/read/2016/04/07/dol-finalizes-fiduciary-rule#sthash.8Rxv08Sw.dpuf
BIG “I” GOVERNMENT AFFAIRS

Delivering Results for Independent Agents

After securing multiple legislative wins in the past year to protect the independent agency system and promote competitive and stable state insurance markets, the Big “I” government affairs team will continue its work in 2016 and beyond.

Advancing Uniformity in Agent Licensing
In a tremendous victory, last year Congress overwhelmingly passed the National Association of Registered Agents & Brokers Reform Act (NARAB II). The Big “I” has been leading the charge on NARAB II for nearly a decade, as it will provide agents and agencies with a one-stop compliance vehicle for nonresident licensing.

Safeguarding Against Terrorism
NARAB II became law in conjunction with another Big “I”-backed measure: the Terrorism Risk Insurance Reauthorization Act of 2015. The law provides a long-term extension of the Terrorism Risk Insurance Program which helps ensure terrorism insurance is affordable and available to businesses across the country.

Defending the Role of Agents in Crop Insurance
Last fall, the Big “I” launched a nationwide grassroots campaign to roll back $3 billion in cuts imposed on the crop insurance program—cuts which would have disrupted the agriculture economy and directly affected agent commissions. As a result, funding was restored in a year-end Highway Funding bill. Despite the win, the Big “I” will remain vigilant as attacks to the crop program will continue.

Working to Fix the ACA
The Big “I” ended 2015 with a last minute victory when Congress passed legislation to delay the “Cadillac tax.” This ACA provision would have levied a 40% tax on employer-sponsored health benefits that exceed an established annual cost, starting in 2018. The Big “I” will continue to fight for a full repeal of the “Cadillac tax.”

Advocating for Small Businesses
The Big “I”-supported PACE Act was signed into law by President Obama in October. This new law helps protect employers and their employees from significant health insurance premium increases by redefining “small employer” as an employer with 50 or fewer employees.

Protecting State Insurance Regulation
Throughout 2015, the Big “I” worked closely with the National Association of Insurance Commissioners to pass the Policyholder Protection Act. The Act reaffirms the primacy of state oversight of the insurance market and protects policyholder assets. It passed the House in November and was included in a year-end federal funding agreement.
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May 19, 2016
E&O Risk Management
Meeting the Challenges of Change
Stanley Lipshultz, CPCU
9:00 AM - 3:30 PM

May 24, 2016
Agency Errors & Omissions
Shelley Arnold, CPCU, ACSR, AAI, AINS
9:00 AM - 3:30 PM

May 25, 2016
Additional Insured Issues
Don Dudey, CPCU
9:00 AM - 4:30 PM

June 8, 2016
Specialized Insurance & Bonds
Shelley Arnold, CPCU, ACSR, AAI, AINS
9:00 AM - 4:30 PM

June 15, 2016
Commercial Auto, Surety, CIPS & Misc Lines
Don Dudey, CPCU
9:00 AM - 4:30 PM

June 21, 2016
Professional Development & Account Management
Shelley Arnold, CPCU, ACSR, AAI, AINS
9:00 AM - 3:30 PM

AXIKIT Products
Benefit YOUR Clients

AXIKIT Accident Report Mobile App has been helping IIAM Agents serve their clients by speeding up the claims process and helping drivers capture critical information and avoid costly mistakes. **Here’s a new, no-cost option that will benefit your commercial clients, and your agency!** AXIKIT now provides free product filers, customized with your agency marketing message, that you can provide to your Commercial clients offering them a 10% discount when they activate a custom AXIKIT Mobile App, courtesy of your Agency. It’s a win/win for you both.

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For more information contact the IIAM representative to Axikit Jerry Mayer 410-645-1765 or jerry.mayer@axikit.com
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