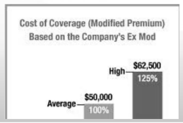
News & Views

From the Independent Insurance Agents and Brokers of Arizona, Inc.

Your Source for Arizona Insurance Industry News

November/December 2011

INSIDE



INSURANCE - Fact, Fiction or Myth?

Recently, on the front door of my home I found a door hanger ad from a local roofing contractor, indicating LAST CHANCE – "You have been hit once by Mother Nature, don't get hit again by the insurance company. The one year statute of limitations used by most insurance companies to file your storm damage claim expires on October 5, 2011". Really? What Statute?

There is no Arizona Statute outlining a one year deadline to file a homeowner's claim. While this roofing contractor was using a scare tactic to drum up business for his firm, he was probably confusing the filing of a claim ("as soon as practicable" or "promptly") with suing the insurer when an insured is unhappy with a property claim settlement or denial. The new ISO 2011 Homeowners policy language (effective in AZ 05/01/11) indicates in Section H – Suit Against Us – "No action can be brought against us unless there has been full compliance with all of the terms under Section I of this policy and the action started within two years after the date of loss."

This situation, along with newspaper articles on the October 2010 storm damage and the incorrect handling of these claims (carriers not paying the sales tax on roof repairs) got me to thinking about some of the common misconceptions of insurance coverages. These misconceptions are held not only by consumers, but by some fellow agents. Here are some of my favorites:

Myth – You only need the minimum amount of auto liability insurance required by law.
Even local TV ads are in on this one by suggesting that if you carry the required limits of coverage, you are adequately covered. Believing this myth is much like saying a hospital gown covers your backside. The words "required" and "adequate" are not synonyms. Seasoned agents are trained to ask their clients "How much limit can you afford to buy?" rather than depending on state minimums.

Myth – My lawyer suggested buying two separate auto policies to save money in a household: one for the parents with higher limits of liability, and a second policy for a youthful driver with lower limits of liability. Parents would also buy an umbrella policy.
This is a fallacy for two reasons. First, the standard ISO Personal Auto policy contains an exclusion in the policy that says under the parents policy, there is no coverage for any resident family member (other than the parents themselves) using the auto of another resident family member, unless that auto is insured under the parents policy. Second, if the parents have any umbrella coverages, it is unlikely that it will provide excess coverage over claims covered by their child's auto policy.

Myth – I'm self employed and don't have employees. I don't need Workers Compensation coverage.
You are your own "employee", and you can get hurt too. How will you support yourself if you get hurt on the job and can't work? Workers Compensation coverage is important even if you are a one person operation. Make sure you take care of yourself and those who depend on you.

Myth – Flood insurance is only for people in flood zones.
Lending institutions will require you to obtain flood insurance if you live in a standard Flood Zone. However, keep in mind that ALL homes are at risk for flood and standard home insurance policies do NOT cover related damage to your home. 20-25% of flood claims come from outside high risk areas. You are 4 times more likely to sustain a loss from a flood than a fire.

Myth – It is acceptable to either complete the certificate of insurance drafted by a municipality or a contractor, or to type on the certificate the language shown on their sample certificate. In addition, I can complete their supplemental certificate checklist.

Continued on page 4

Chapter Events & News

HAPPY HOLIDAYS!!
From your News & Views Team
and the Entire Staff at the IIAB of Arizona

November 24-25, 2011
Thanksgiving Day & Post-Thanksgiving Day
IIABAZ Office Closed

December 6, 2011
CISR Conferment Ceremony Luncheon
Landmark Restaurant—Mesa

December 26, 2011
Post-Christmas Day
IIABAZ Office Closed

January 2, 2012
Post-New Year's Day
IIABAZ Office Closed

Announcements

Selective Flood Operations Announces New Tools—Writing Flood Insurance Getting Easier

Selective, IIABA's endorsed Write-Your-Own (WYO) from the NFIP, recently announced that the carrier will be providing new agent tools to help write more flood business.
Doing business with Selective is going to get even easier with the addition of more value-added services:

- Selectiveflood.com—Selective Flood's website will soon be called Selectiveflood.com. This is only a name change, your user id and password will remain the same.
- Elevation Certificates—Selective will be offering a direct link to an elevation certificate company with discounted pricing.
- ITV Calculator—Selective is adding an Insurance–To–Value Tool to help writing condominium business easier.
- Facebook® - You and your customers will be able to follow Selective Flood on Facebook®. Join us at www.facebook.com/selective.

...and more tools to be announced in the coming weeks.

Have questions about these enhancements or how Selective and IIABA can help your agency write even more flood business - In, Above & Outside of the NFIP? Contact IIABA program manager Linda Mackey at (800) 221-7917, Ext. 5380 or linda.mackey@iiaba.net.

INSIDE THIS EDITION

Advertisements

Newly Formed Company Launches Services For Independent Agents and Carriers

Receives Funding from IIABA and Six Partner Insurance Carriers To Help Drive Online Visibility and Revenue Growth

Leaders in the independent insurance agent distribution channel have formed Consumer Agent Portal, LLC (CAP) to deliver digital marketing tools and services that increase the online market presence of independent agencies, brokers and carriers in personal lines insurance. CAP announced today that it is launching its industry services web solution in December 2011 to help independent agencies, brokers and carriers build their online brands and visibility in order to attract and interact with today's digital consumer.

With development funding from the Independent Insurance Agents & Brokers of America, Inc. (IIABA or the Big "I"), CAP recently secured investments from six insurance carriers that all have representatives on CAP's board of managers:

- The Central Companies
- Safeco Insurance
- The Main Street America Group
- Selective Insurance Company of America
- State Auto Insurance Companies
- Westfield Insurance

Bob Rusbuldt

"Today, three out of four consumers do research online before buying insurance," explained Bob Rusbuldt, Chairman of CAP and CEO of IIABA. "We want independent agents and brokers to be seen and easily accessible online when consumers are shopping."

According to Scott Deetz, CEO of CAP, "CAP is an industry initiative driven by the leadership vision of key insurance carriers, IIABA, along with Trusted Choice® and Big 'I' state associations. They all want to enable independent agencies, brokers and carriers around the country to unite with a common goal of expanding their market share in personal lines insurance."

CAP also will be delivering a consumer website in 2012 as a marketing resource to complement the industry services website. This portal will be the only online shopping solution to give consumers real -time comparisons from the largest selection of independent insurance carriers, as well as the ability to select local independent agents or brokers for service, customization of policies and advocacy.

About CAP: Consumer Agent Portal, LLC is a Delaware limited liability company formed in 2011with headquarters in Minneapolis, Minn. CAP is a digital marketing and digital media solutions provider serving independent agencies, brokers and carriers in the personal lines insurance market. For more information, visit www.projectCAP.info.

Article provided by Margarita Tapia—Director of Public Affairs Independent Insurance Agents & Brokers of America, Inc.

INSURANCE - *Fact, Fiction or Myth?*

Continued from front page

While it is tempting to process a certificate of insurance that will show your client how efficient you can be, do not sacrifice breaking the law for customer service. Certificates of insurance are to mirror the coverages, terms and conditions of the policy. Anything other than this "mirror image" is considered a class 5 felony in Arizona.

If one of your clients requests a certificate of insurance that is not in compliance with the actual terms and conditions of their policy, there are only two options (1) request the insurance company writing the policy to issue an endorsement that would modify their policy to match the request or (2) provide them with a copy of the Department of Insurance Bulletin and make it extremely clear that they are requesting or possibly demanding that you commit an act that is knowingly illegal.

Myth – All insurance providers are the same. Insurance is a commodity that you purchase much like a loaf of bread – right off the shelf.

Absolutely not true! This misconception could cost you money, service and protection. Buying insurance isn't like buying milk or eggs. As independent agents, we want to differentiate ourselves from our direct writer counterparts by offering our clients a CHOICE of carriers, coverages, and services. Offering CHOICES, coupled with thorough product knowledge, strengthen the insurance program we, as independent agents, can tailor to our client's needs.

Reading such publications as this News and Views, attending a CISR, CIC or CPCU class or looking up a coverage at the BIG I National website – Virtual University (www.iiaba.net/vu), only enhances the level of professionalism we provide to our clients. Insure your success through the products you are servicing or selling. Don't fall into the trap – "20 hours of education and I am an insurance agent." Dedication and Education are the answers needed to dispel these myths.

See you in class!

Author: Jackie Wanta, CIC, CPCU, ARM, CRIS—IIABAZ CISR and ITEC Faculty Member, and current IIABAZ President

IS IT A CGL OR AN E&O CLAIM?

Ready? Here's the quiz: Find the professional liability exclusion in the CGL. What?! You didn't find it? Surely it's there somewhere...heck, even the ISO Homeowners forms have one. Give up? Then read on....

Yes, folks, as amazing as it sounds, there is no professional liability exclusion in the CGL. The closest thing to one is the medical professional exclusion under Who Is An Insured. However, the lack of a specific exclusion doesn't mean that all errors, omissions, mistakes, etc. are covered...but the lack of one sure makes it difficult to determine whether some occurrences are covered or not. Take this recent "Ask an Expert" question:

VU Ask An Expert

Q. "A general contractor is the developer and sole building in a new gated community of luxury patio homes. The project is approved and zoned for 'property on line.' The building (patio homes) are built with one side resting right at the property line. The only access to the rear yard is around the other side of the structure.

"Problem: A luxury patio home is built across this 'property line' on his neighbor's property. The general contractor's CGL insurer denied coverage under the CGL policy. The framing subcontractor's CGL insurer also denied coverage. The framing subcontractor was, in fact, the negligent party. The survey was proper, so the engineer was not at fault.

"What coverage should have been in place to cover the damaged homeowner and by whom? Could the engineer's professional policy respond? Should the general contractor have purchased professional liability? If the zoning office doesn't approve the revision to the zoning (changing the property line) they could force the tearing down of the house and rebuild it. "Help with this mess! Thanks!"

A. This is, indeed, a mess and, while a complex situation, it's not that uncommon. It appears that the sub is primarily liable, though the general may have vicarious or even contractual liability. Let's focus, though, on the specific coverages and exclusions of the 1998 ISO CGL and try to determine whether coverage is even triggered in the first place and, if so, if any exclusions apply.

In this claim, the first requirement to trigger coverage is that there must be "property damage." One issue is whether or not the "infringed upon" neighbor has suffered any property damage as defined in the CGL. "Property damage" includes both physically damaged tangible property and the loss of use of tangible property that is not physically injured. If the neighbor's claim is for that loss of use, then this part of the insuring agreement is triggered and such is likely in this case (though others disagree as indicated below).

The second requirement is that the property damage must be caused by an "occurrence" that takes place in the "coverage territory" during the policy period. The only thing at issue here is whether or not there has been an "occurrence" as defined by the policy. According to the CGL, "occurrence" means "an accident, including continuous or repeated exposure to substantially the same general harmful conditions."

If you ask most grizzled insurance practitioners, they'll tell you that what happened here was not an "occurrence" as intended by the CGL...this was an error, a mistake, not an "accident." The CGL was never intended to cover these types of claims. I tend to agree, but I have a hard time deciphering that intent from the policy language. A professional liability exclusion might make that easier (I stress "might"), not to mention easier to explain the difference to an insured who swears they didn't build over the property line on purpose...it was an ACCIDENT.

According to the Webster's dictionary, an "accident" is "an unforeseen and unplanned event or circumstance; lack of intention or necessity; an unfortunate event resulting especially from carelessness or ignorance; an unexpected happening causing loss or injury which is not due to any fault or misconduct on the part of the person injured but for which legal relief may be sought."

Boy, what happened above sure sounds like an "accident" that resulted in "property damage" even though we all know it isn't because it isn't supposed to be. Now, explain THAT to an insured.

OK, now that we've definitively proved that we aren't sure if coverage is triggered, let's move on to the exclusions. Since our faculty couldn't reach a consensus on the coverage trigger, let's focus on their responses to the exclusionary issues....

Faculty Response:

This isn't covered by the CGL, but if you ask me to prove it by pointing to the policy language, I can't. IF the claim is for loss of use of the neighbor's property, I don't see any exclusions that apply except possibly exclusion m. for "impaired property." IF the remedy for the claim is to tear down the building, then there is clearly no coverage because of exclusions j. and/or l.

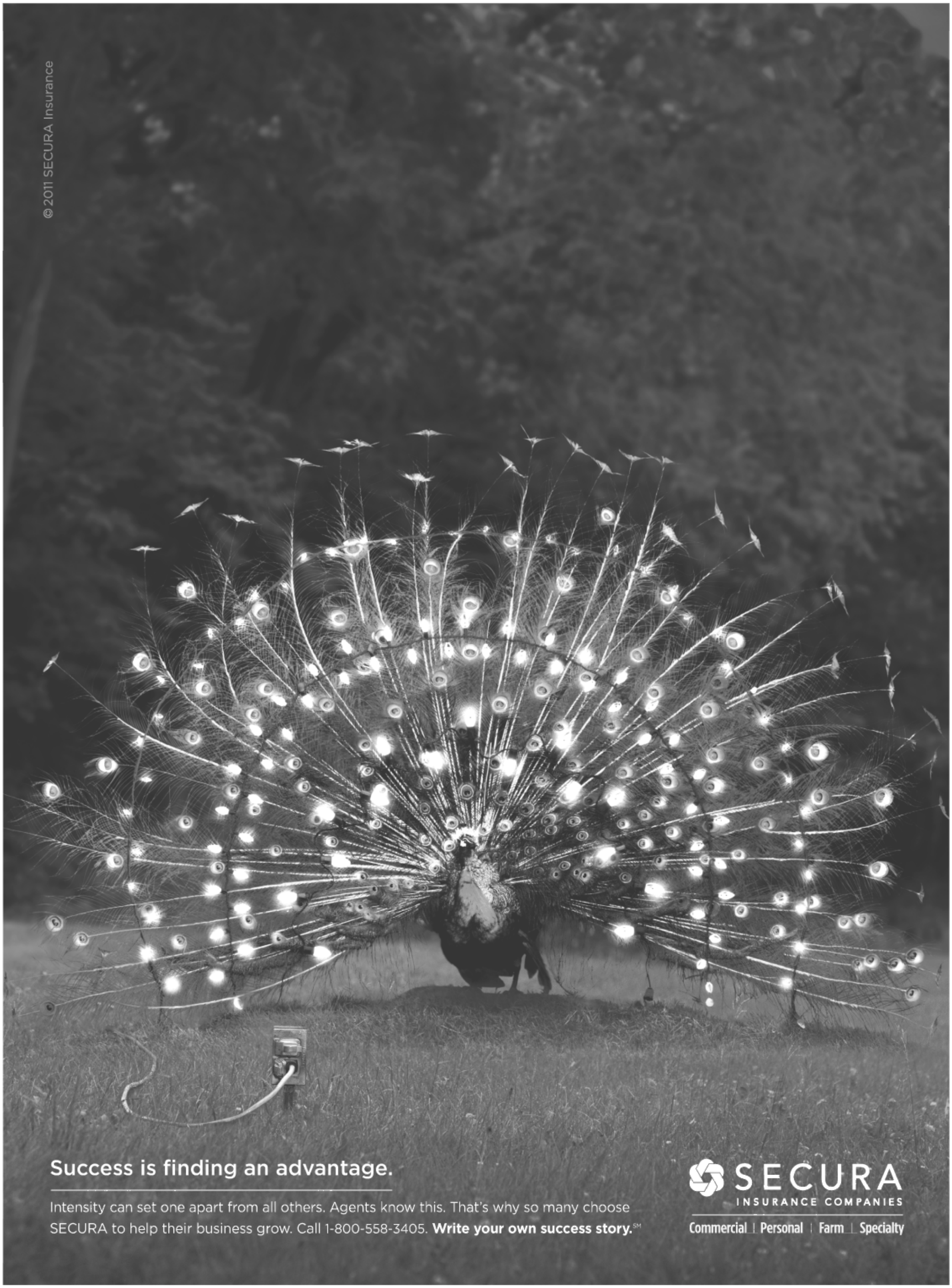
Faculty Response:

There is no question that the CGL does not respond as there is no "bi/pd" caused by an "occurrence." An E&O policy "should" respond but read those exclusions carefully, plus there will be a retention. Generally, general contractors do not buy E&O unless they have A&E on staff. However, the coverage is available. The engineer probably has E&O but no liability policy pays if the Named Insured is not negligent. Sounds like the engineer did not make any mistakes.

Faculty Response:

This is definitely an area where the insured needs Contractor's E&O. Unfortunately there is no standard form and some companies offer low limits.

Continued on Page 7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IS IT A CGL OR AN E&O CLAIM?

Continued from Page 5

Here is sample language from a form I have access to:

1. INSURING AGREEMENT

a. We will pay those sums that "you" become legally obligated to pay as damages because of "property damage" to "your product", "property damage" to "your work", "property damage" to "impaired property" or "recall expense" that arises out of "your product", "your work" or any part thereof. The damages must have resulted from an "insured's" negligent act, error or omission while acting in your business capacity as described in the Declarations.

You need to be careful, because many of these policies exclude work performed on the insured's behalf by a subcontractor:

j. "Property damage" to "your work" that arises out of work performed on your behalf by a subcontractor

Faculty Response:

This is a professional exposure. I don't see how the framing contractor could be the only negligent party, but suffice it to say that this claim would be denied by most CGL carriers on the basis that there has been no accidental occurrence, or no property damage as defined. Even if the contractor had a professional policy, it may not pick up this claim if that policy is limited to design error and there was not fault with the design of the structure. This may be a workmanship error for which coverage is not available.

Faculty Response:

I'm not familiar with a product designed to cover this type of error. Most contractors lay out a specific plot to build upon and take special care to make sure they are within the property boundaries. I searched the market base for "real estate developers E&O" and "property development E&O" but didn't find either one listed. If a contractor's E&O policy is placed, read it CAREFULLY...it still might not cover this.

Faculty Response:

I disagree with the general industry consensus that the CGL insuring agreement isn't triggered by this type of claim. The definitions of "property damage" and "occurrence" are so broad that, whether intended or not, I think coverage is triggered. However, I don't think the claim is covered since this neatly fits the "impaired property" exclusion which says:

m. Damage To Impaired Property or Property Not Physically Injured

"Property damage" to "impaired property" or property that has not been physically injured, arising out of:

(1) A defect, deficiency, inadequacy or dangerous condition in "your product" or "your work"; or

(2) A delay or failure by you or anyone acting on your behalf to perform a contract or agreement in accordance with its terms.

This exclusion does not apply to the loss of use of other property arising out of sudden and accidental physical injury to "your product" or "your work" after it has been put to its intended use.

"Impaired property" is defined as:

8. "Impaired property" means tangible property, other than "your product" or "your work", that cannot be used or is less useful because:

a. It incorporates "your product" or "your work" that is known or thought to be defective, deficient, inadequate or dangerous; or

b. You have failed to fulfill the terms of a contract or agreement;

if such property can be restored to use by:

a. The repair, replacement, adjustment or removal of "your product" or "your work"; or

b. Your fulfilling the terms of the contract or agreement.

Rather than debate the coverage trigger issue (though it needs to be), I think the neighbor has "impaired property" that can be restored to use by the removal of the contractor's work. Thus, exclusion m. applies. I don't think this exclusion was drafted with this type of claim in mind, but it appears to fit.

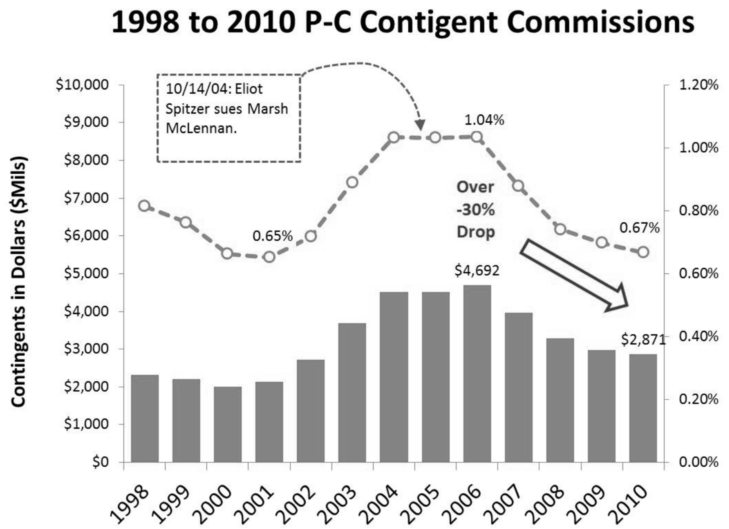
Source: Virtual University's Ask an Expert column.
Author: Bill Wilson, CPCU, ARM, AIM, AAM—
Director of IIABA's Virtual University

Contingent Commissions Fall Again

2010 percentage of premium at two-thirds of 1%.

Knowing that IIABA Best Practices Agencies rely heavily on contingent commissions, industry data on the subject is always of great interest to member agencies. When A.M. Best sends out their annual compilation of p-c insurer required financial statements, it is always interesting to see what total contingency payments were for the prior year. The 2011 edition of Best's Aggregate & Averages Property/Casualty Edition shows that 2010 contingency payments totaled $2.8 billion and, on a percentage basis, are just shy where they were before the run-up leading to the Eliot Spitzer suit against Marsh McLennan in 2004.

As you can see in the chart on the right, contingent commissions increased from the level they have been for 2009 and 2010 to much higher levels in 2004 to 2006 before falling back again to two-thirds of one percent (1%) of net written premiums (that is, insurer premiums "net" of reinsurance). Total contingent payments are above where they were from 1998 to 2002, but on a percentage basis, it is a dead heat with lowest level contingent commissions on a percentage basis from many years.



Source: Best's Aggregates & Averages Property/Casualty, 2011 Edition

Contingent commissions are paid to many insurance agencies appointed with various insurance companies, and the dollars are disclosed by insurers when they file their required statutory financial statements each year. Typically, they are paid to appointed agents of insurance companies based on formulas that provide for incentives to reward frontline underwriting by agencies, proactive risk management and achieve volume and growth.

In 2010, the IIABA Best Practices Study Update shows that of the agencies that were nominated and selected for participation, the average was about 10% of revenues from contingents and 50% of profits from contingent commissions. Best Practices agencies under $1.25 million in revenue tend to take in less, but contingent commission income is very important to all size Best Practices agencies as shown in the table below.

Revenue Size	% Revenues	% of Pre-Tax Profits
$0-$1.25MM	8%	35%
$1.25-$2.5MM	10%	45%
$2.5-$5MM	10%	53%
$5-$10MM	11%	63%
$10-$25MM	11%	71%
$25MM+	8%	44%

Source: 2010 IIABA Best Practices Study

The Best Practices Study Update is a "must have" for those agencies that want to become the best they can be. It includes in-depth financial analysis of agencies nominated by insurers and Big "I" state associations that are then selected to participate. The 2010 Study can be purchased from the Big "I" education department. Order forms for the existing study and can be downloaded at www.independentagent.com under the education, Best Practices and Order Forms.

Author: Paul Buse (paul.buse@iiaba.net) - President of Big I Advantage® and a licensed P&C agent.

ASK AN EXPERT WHAT E&O LIMITS DO I NEED?

In determining the limits an independent insurance agency should carry in an E&O/excess liability policy, what factors should be considered? Is it a matter of how much the agency can afford, how large an error or omission could be made, the size of the accounts at risk, etc.?

The question, "What liability limits do I need?" is one that probably cannot be answered. It's the same question your insureds routinely ask.

The size and complexity of your accounts is one factor. The value of your agency is another. Exposure to regional catastrophic loss should be considered as well. Do you have agents with limited skills handling complex accounts? Can your agents explain every single coverage on their checklist to a plaintiff's attorney, without notes, and exhibit a high degree of business acumen?

What degree of business acumen is found within your firm? Does your staff know what they don't know? Do your procedure audits find persistent problems? What kind of catastrophic E&O loss exposures are within your book of business? Assume a worst case scenario. Err on the side of conservatism.

There is no way to determine a "satisfactory" umbrella unit. A company of substantial size cannot buy enough insurance to protect its assets. The necessary limits are those that make the insured entity "comfortable". Verdict and judgment history in the jurisdiction and limits purchased by peers and competitors might be helpful.

At what point could the liability be so large as to wipe out all the real financial value of the agency? How big of an E&O claim could you have? Do you get involved with large, complex business with interlocking arrangements with other businesses? At what point would you say, to heck with it, I'll just start over? While it is rare, we've seen E&O verdicts in excess of $20 million. It's like answering your customer's question as to how much to carry. The only safe answer is, "More."

Since it is extremely difficult to determine the nature of the error or omission and the amount of possible damages, an agent should take into consideration the same rules imposed on perspective insureds: Buy all you can afford because the exposure can be as high as the sky. As an agency, your exposure is the largest policy you fail to recommend.

The question that can be answered is how small of an umbrella should we carry. It is true for insurance agencies and their clients. Limits should always be higher than the value of the largest possible property damage exposure. Tenants in an apartment building should carry limits of at least the value of the building, everyone else's contents and all of the loss of use expenses. Agencies should carry at least the value of the value of the largest property they insure. Limits beyond that are preferred. There are few multiple million dollar losses, but they do exist. If you injured someone who made $100.000 (or more) to the extent they could no longer work and they were age 40, the loss of income from 40 to 66 is at least $2.6 million. That does not include any other costs.

Decide how much of an uninsured loss you can absorb. You must evaluate the risk that you are taking and the amount of loss you can afford to take even if you have no insurance or a loss is greater than the limits. If you are a Corporation, your liability may be limited. You should consult with your professional liability broker and your lawyer, working together.

Another element of this is the self characterization of the agency's services. From one end of the scale where the agent is merely a place to buy insurance, to the other where they hold themselves out to "handle all of your risk management problems," there's a continuum that will help guide the decision.

How high is up?

Your limit needs to be greater than or equal to the biggest claim you will have to pay. Of course, if defense is within limits, you'll need more. Considering that Agent's E&O is a specialized coverage, many umbrella carriers may not be willing to attach over $1 or $2 million primary, or any primary for that matter.

For any agent, documentation is paramount.

Is the agency a corporation?

A potential problem often ignored in relation to corporations looking for coverage is whether their corporate shield is at risk if failure to procure adequate coverage results in the entities inability to cover a claim.

If the umbrella policies you are looking at will not and cannot cover the exposure without generating a premium that will be commercially impractical, then the limits of coverage should be based on what would be considered reasonable in that area.

If, on the other hand, coverage is available at an acceptable cost, then in addition to securing reasonable limits, your client would also want to add the limits necessary to ensure survival of the entity (assuming it is concerned with maintaining the integrity of the entity).

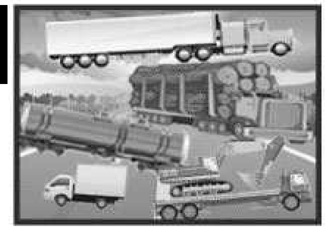
Buy as much as you can you afford because when a big loss happens, you can count on two things:

1) You will never see it coming.
2) You will wish you could have seen it coming.

Source: Virtual University's Ask an Expert column.
Author: Bill Wilson, CPCU, ARM, AIM, AAM—
Director of IIABA's Virtual University

NOTE: Input provided by risk management practitioners on the RiskList email group. This Yahoo! Group consists of insurance and risk management professionals from around the world and is an excellent source of information about technical, real world insurance and risk management issues. To visit RiskList: http://finance.groups.yahoo.com/group/RiskList/

New Motor Truck Cargo Product



Big "I" Markets and ACE have teamed up to introduce The ACE EXPRESS Motor Truck Cargo product that offers coverages designed to respond to a wide variety of trucking exposures. Limits may vary by commodity and customer. Coverage is on a legal liability basis for risks of direct loss or physical damage to cargo carried by common or contract carriers. The ACE Commercial Risk Services® Inland Marine unit specializes in the motor truck cargo product with a focus on small accounts. It features a streamlined the underwriting process to ensure greater efficiency and timeliness to producers.

Minimums · Deductible minimums $1,000; except $2,500 refrigeration breakdown and water damage

Advantages:

- Strong financials to protect your clients liability exposures
- Professional claims team
- Superior underwriting talent
- Superior customer service
- Access to the product expertise and global reach of the ACE Group of Companies

Target Markets & Eligibility

- Low theft commodities
- Building materials
- Steel
- Dry Grocery Items
- Paper Products
- Plastics
- Contractors Equipment

Coverage:

- Coverages designed to respond to a wide variety of trucking exposures
- Coverage is on a legal liability basis for risks of direct loss or physical damage to cargo carried by common or contract carriers

Limits

- Earned freight charges up to $2,500
- Debris Removal Expense up to $5,000
- Pollutant Clean Up and Removal expenses up to $10,000
- Expenses to Protect Covered Property From Further Damage up to $5,000
- Miscellaneous equipment such as tarps and chains up to $1,000

Restricted Classes

- Household Goods Movers
- Blood/Plasma/Tissue
- Courier Services
- Contingent Cargo
- Freight Brokers
- Freight Forwarders
- Armored Car

...so just what is Motor Truck Cargo coverage? Virtual Risk Consultant, powered by Rough Notes, contains among other things, PF&M summaries on the exposure and insuring agreements. Go to http://vrc.iiaba.net/pfm/100/145_1800.htm to read VRC summaries on MTC Carrier form and http://vrc.iiaba.net/pfm/100/145_1900.htm to read the pages on MTC Owners form. Please visit http://www.iiaba.net/na/05_MemberProductsServices/01_InsuranceCoverageAgency/NA20090205153736?ContentPreference=NA&ActiveState=0&ContentLevel1=MEMPROD&ContentLevel2=MPSINSACY&ContentLevel3=&ActiveTab=NA&StartRow=0 to learn more about the Virtual Risk Consultant.

For more information, or to request a quote, visit the Motor Truck Cargo page in the commercial lines menu at www.bigimarkets.com.

Rusbuldt is Tops in DC

Independent Insurance Agents and Brokers of America CEO Bob Rusbuldt has been named one of the top 50 lobbyists in Washington, DC by The Hill newspaper. Bob has been recognized repeatedly for a number of years as one of the top Washington lobbyists and also as one of the top Association CEOs. Some of those recognized on the list with Bob are the leaders of the American Bankers Association, NFIB, U.S. Chamber of Commerce, Motion Picture Association, Business Roundtable, and National Association of Homebuilders.

In their recognition of Rusbuldt's accomplishments The Hill newspaper stated, "Rusbuldt and 'Big I' members flooded the Capitol in the spring to discuss their priorities, including making sure healthcare reform regulations don't hammer their commissions."

The Independent Insurance Agents and Brokers of Arizona strive every day to bring this level of advocacy to the Federal and State levels. We thank you for your support because without you, this would not be possible.

Author: Russell Reiten—Government Affairs, Independent Insurance Agents and Brokers of Arizona

What You Don't Know About The Experience Mod Can Cost Your Client Plenty

> The Experience Modification Factor is the most often applied—and probably the least understood—part of a Workers' Compensation policy.

Most insurance agents know that the Mod is a function of payroll and losses, but they can't explain to their clients and prospects how the numbers are derived, and more importantly, what those numbers mean to the client, other than an increase or decrease in premium.

Through the Experience Mod, employers reimburse the insurance company for Workers' Compensation claims. In most cases for claims under $5,000, they pay the money back at 300% interest. For claims above $5,000, the interest rates decline, but at difference rates for difference businesses. For a $1 million claim, the payback over three years may not even be 10% of the cost.

Showing employers how individual claims impact a Mod is the single most powerful message agents can share with their prospects and clients. Without this knowledge, it's easy for employers to say, "Our workers Comp bill is what it is, and I can't do anything about it." Or, even worse, "Why should we make the effort and to have fewer work-related injuries, the insurance company is going to use that money somewhere else if we don't have claims."

Neither views could be further from the truth. Although employers have no control over regulations and insurance company rates, they have an enormous amount of control over their Workers' Compensation costs.

It's really quite simple: when employers reduce the amount of money that an insurance company spends on their claims, that are putting money back in their pocket, not additional money in the insurance company's pocket. Just telling clients and prospects the truth isn't enough. It takes more than that to get the message across. You have to show them. By illustrating the real dollars that are at stake, you can move the sales process forward with a prospect and monetize your value with a client.

How low can a Mod go?

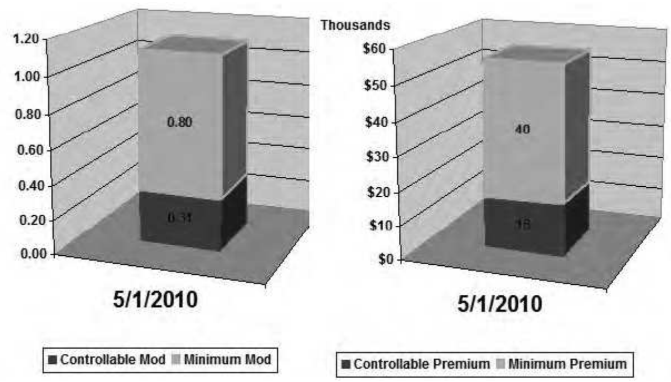
The first step of "Mod enlightenment" is the minimum mod. Every client has one, and each one is unique, year-to-year. The minimum Mod is the place to start showing a client how much of their premium they truly control.

The minimum Experience Mod is what an employer's Experience Mod would be if they had no losses during the Mod's coverage period.

	Exp Mod	Manual Premium	Modified Prem Year One	Over Three Years
Current	1.11	50,000	55,500	166,500
Minimum	0.80	50,000	40,000	120,000
Total Room For Improvement (Difference)			**$15,500**	**$46,500**

In this example (above), the employer's Mod is 1.11 and their Minimum Mod .80. The 1.11 represents a $15,500 difference for this particular year. Extrapolated over a period of three years, their premium will be $46,500 higher than necessary and is more than a full year's premium over one year. In effect, this employer is essentially buying three years coverage for the price of four. That's not a very good deal!

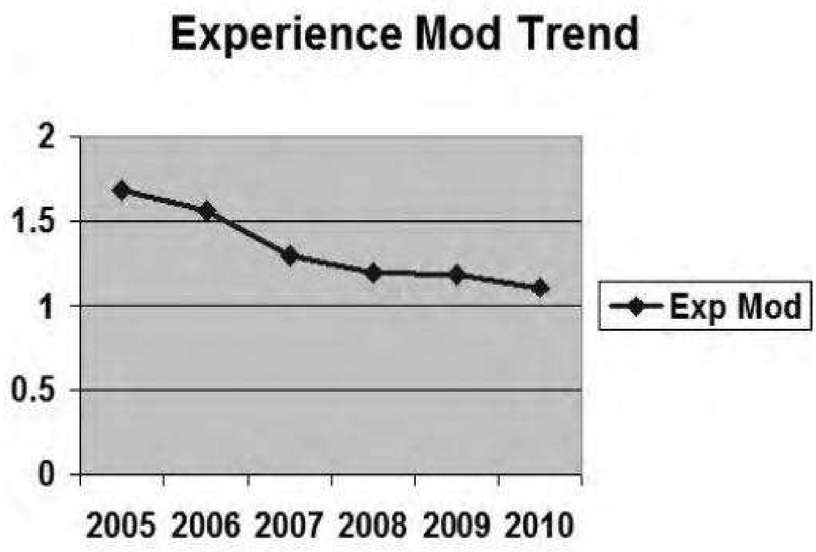
Another way to look at this is to show a prospect graphically just how much more they are paying than necessary.



Here, we see in both mod points and premium dollars how much more they are paying than required. The red sections of the bar graph are the controllable portion of the Experience mod. This clearly demonstrates to the employer how much work they have to do to get to their minimum Mod. When you can present a plan to help them get there, you are offering them with a compelling reason to give you the account.

When it comes to monetizing your value to a client, a great way to do it is to show them how the work you have done has impacted their Mod over time.

This employer's Experience Mod has dropped from above 1.5 to 1.1 over the last five years. Great work!



Now you can prove to your client that you provide far more than just a good quote every year. You are actually doing real, tangible work to drive their costs down.

Suppose you have a client and you're trying to prove to them why you should be their agent of choice. It's not enough just to tell them. You should also show them the work you've done. When you can use your client list and demonstrate to a prospective client how you have reduced your clients' Mods over time, you have built a powerful case for them to engage you as their insurance agent.

When you can demonstrate your value by using the Experience Mod, you can go from being just another one of a long line of agents trying to snag an account with the lowest quote to demonstrating your expertise in Workers' Compensation.

If you aren't analyzing the Experience Mod for employers, they are left to fend for themselves and wallow in ignorance about why they are paying what they pay each year. That is, until someone else comes and shows them what they are missing. Workers' comp is one of the largest insurance expenses for every business and every business needs your help.

Author: Kevin Ring is the Lead Workers' Compensation Analyst for the Institute of WorkCompProfessionals, the Asheville, NC-based organization that trains insurance agents to help employers reduce Workers' Compensation expenses.

Kevin is a licensed insurance agent, and he leads workshops, analyzes Workers' Comp programs, and is the co-developer of a Workers' Comp software suite that helps insurance professionals in working with employers.

Kevin can be contacted at kevin@iwcpro.com.

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January 25-27	CIC Commercial Casualty Institute	Scottsdale
January 31	CISR Agency Operations Seminar	Phoenix
February 8	CISR Insuring Commercial Property Seminar	Phoenix
February 9	E & O Loss Control Seminar	Tucson
February 15	E & O Loss Control Seminar	Phoenix
February 16	CISR Insuring Commercial Property Seminar	Lake Havasu
February 23	CISR Insuring Commercial Casualty Seminar	Phoenix
March 7	CISR Agency Operations Seminar	Tucson
March 8	CRIS Commercial Liability for Contractors Seminar	Phoenix
March 15-16	CIC James K. Ruble Graduate Seminar	Phoenix
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March 28	CISR Personal Residential Seminar	Yuma
April 3	CISR William T. Hold Commercial Lines Seminar	Phoenix
April 11	Non-Solicitation & Non-Piracy Agreements*	Phoenix
April 12	CISR Insuring Commercial Casualty Seminar	Lake Havasu
April 18-20	CIC Commercial Property Institute	Scottsdale
April 24	E & O Loss Control Seminar	Yuma
May 1	E & O Loss Control Seminar	Phoenix
May 2	CRIS Contractual Risk Transfer for Contractors	Phoenix
May 10	CISR Insuring Personal Residential Seminar	Tucson
May 14	CISR Agency Operations Seminar	Phoenix

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CISR Seminars — $160.00
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CISR Dynamics of Service—- $170.00
CRIS Seminars — $195.00 or $220.00 Non-Member
ITEC Seminars — $80.00 or $105.00 Non-Member
E & O Loss Control — FREE to Members or $90.00 Non-Members
Non Solicitation & Non-Piracy Agreements — FREE to Members*
CIC Institutes — $395.00
CIC Ruble — $420.00

The Independent Insurance Agents & Brokers of America (IIABA or the Big "I") recently announced the release of its 2011 Best Practices Study which found that organic growth improved, albeit modestly, and profitability held constant across most of the study's six revenue groups.

"The results of this year's Best Practices Study indicate good news after several years of negative growth, shrinking profit margins and declining agency values," says Madelyn Flannagan, Big "I" vice president of agent development, research and education. "Most study participants benefitted from the growth strategies deployed over the last couple of years when the recession suddenly amplified the pressure of a prolonged soft market."

Other findings from the 2011 Best Practices Study include:

Big Picture: Most study participants benefitted from the growth strategies deployed over the last couple of years when the recession suddenly amplified the pressure of a prolonged soft market. A strong focus on total account development, increased advertising/marketing activities, and producer hiring/development/management strategies gave most agencies a competitive advantage when the economy began to rebound in 2010, and stopped or reversed the revenue decline that first became apparent in the 2006 study. Generally, the smaller revenue-sized agencies reported flat growth, while the larger commercial agencies reported improvement over the 2010 study results. Organic growth for the $10-25 million group increased from 0.7% to 2.4% and the more than $25 million group increased from 1.2% to 3.3%.

Cutting the fat: As with revenue growth, the agencies benefitted from steps taken over the last couple of years to control and lower expenses. Profitability remained flat in all study groups with an average Pro Forma EBITDA margin of 26.2% for agencies with revenue less than $5 million and 20.0% for agencies with revenue above $5 million. Margins had decreased continuously since 2006 when they were at their highest in the study's then 13 year history.

Rule of 20: In recent years, the Rule of 20 outcomes, a quick measure for determining whether an agency is creating value for its shareholders, have fallen significantly short of the desired score of 20 for most of the study groups. The 2011 results leveled off at an average score of 13.2 for the "Less than $5 million" agencies and increased to an average 11.7 for the "More than $5 million" agencies.

Revenue per Employee, an industry standard productivity measure, also remained flat with the average for the "less than $5 million" agencies just over $150,000 and the "more than $5 million" at $172,000. These averages are down only slightly from the revenue per employee levels reached prior to the start of the soft market. The resulting drop in revenue forced agencies to concentrate on better utilizing new and existing technology to support sales and marketing efforts and to contain costs. As a result, productivity remained stable.

- **Personal lines,** once again, had positive growth rates (an average of 3.1% for the less than $5 million and 3.8% for the more than $5 million). However, group medical grew more last year with an average of 3.0% for the less than $5 million and a strong 4.2% for the more than $5 million, up more than 3% from last year.

- **Commercial lines** continued to see negative growth but far less negative than last year. Many agents said they are starting to see some commercial insurance rates hold at their current levels. This could indicate that the 2012 results are bound to improve providing the economy doesn't stall again.

"While the 2011 results are not stellar, they do indicate that Best Practices agencies are rebounding from the devastating effects of the recession and soft market, and are poised for new growth and stronger profitability, the key components of agency value," says Robert Rusbuldt, Big "I" president & CEO. "Overall, we are pleased, but not surprised, that the independent insurance agency system remains strong and stable."

Every three years, the Big "I" collaborates with Reagan Consulting to select "Best Practices" firms throughout the nation for outstanding management and financial achievement in six revenue categories (less than $1,250,000; $1,250,000 to $2,500,000; $2,500,000 to $5,000,000; $5,000,000 to $10,000,000; $10,000,000 to $25,000,000; and more than $25,000,000). Agencies are nominated by either a Big "I"-affiliated state association or an insurance company and qualified based on - operational excellence. Financial and benchmarking information for the participating agencies are also reviewed and updated.

The Best Practices Study was initiated by the Big "I" in 1993 as the foundation for efforts to improve agency performance and create higher valued agencies. The survey and study of leading independent insurance agencies documents the business practices of these "best" agencies and urges others to adopt similar practices.

Twelve insurance companies and four industry vendors provide financial support for the research and development of the Best Practices study – Applied Systems, Addis Intellectual Capital, Central Insurance Cos., Chubb, EMC Insurance Companies, Encompass Insurance, Erie Insurance, Great American Insurance Group, The Hanover Insurance Group, Harleysville Insurance, Imperial PFS, InsurBanc, Kemper Preferred, Liberty Mutual Agency Corporation, MetLife Auto & Home and Zurich North America.

Source: Article provided by Margarita Tapia—Director of Public Affairs, Independent Insurance Agents & Brokers of America, Inc.

The Relationship Side of a CHANGING Market

by Jack Burke

Are you ready for a changing market? No, it's not a rhetorical question and it's not an easy one to answer. The insurance industry has been in a lingering soft market for nearly a decade. In fact, many newer producers have no idea what a hard market is like. And there are some clients who haven't experienced a hard market either.

For the first time in a long time, assorted industry experts are predicting a hardening of the market, not only for the aforementioned reasons, but also due to perceptional reality. Carriers actually have an excuse for raising premiums that customers can understand, although not appreciate. I truly believe that no business will miss such a unique opportunity to drive additional revenue to the coffers. Understanding this, agents need to temper their enthusiasm for increased commissions with some empathy for their clients' positions on this matter as well.

After issuing my prediction, I commented that agencies should begin preparing their clients for potential increases now. One agency owner was the first to disagree with that suggestion saying, "Why warn them? It will only give them more time to shop me!"

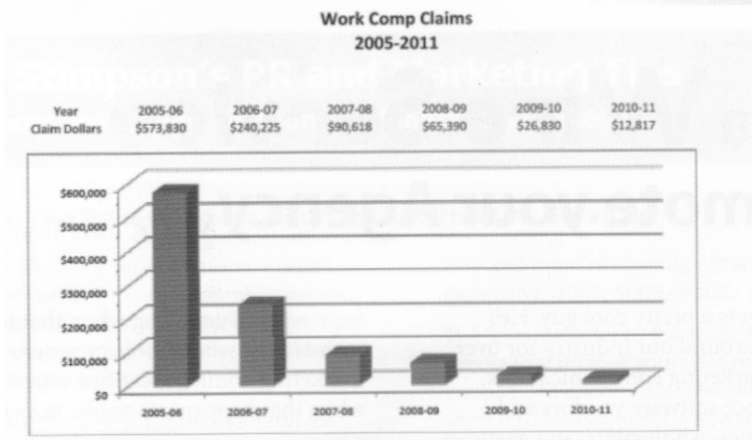
I can relate to his position, although I disagree. Sticker shock is sticker shock any which way you cut it. My preference would be to have some forewarning, rather than have it dropped on me at the last minute. While you may get the renewal initially due to lack of time to react, you may see an Agent of Record (AOR) letter in the relatively short future and definitely a non-renewal the next time around.

Secrecy, rather than transparency, may work with some customers, but it won't work with long-term clients. A partnership means an open and honest relationship and a partner owes it to his partners to share future possibilities—good or bad!

For instance, a partnership-focused agency might let clients know that there is a possibility of increasing rates for property/casualty and workers' compensation. No one knows for sure, but the possibility exists. That being the case, the partner should then begin discussing ways to mitigate this pending risk of increasing premiums. Perhaps there are actions that can be taken now to reduce potential increases if they occur. And if they don't, such actions may position the client for lowered rates if the market remains static. That's what partners do for each other.

Act on your words

Many agencies talk the talk of "value added services and resources," but few actually walk the walk in aggressively pursuing them with their clients. Those who do generally have significantly higher levels of retention because they have vested themselves in the success of their client partners.



This chart shows how one agency helped clients better manage their work comp risks, reducing annual claims to under $13,000.

One agency in the Midwest insured a county in their area. While treating them in the traditional manner of "bid and write," the county had annual workers' comp claims in excess of half a million dollars. About five years ago, the agency made the decision to truly help their clients better manage their work comp risks. Five years later, the annual claims were reduced to under $13,000, as you can see from the chart above. Do you think there's some loyalty there?

The process wasn't easy. It involved one-on-one meeting with the county supervisors and managers, educational seminars, implementing claims management procedures, gaining control of medical providers, engaging in wellness and safety programs, reviewing HR policies and procedures, focusing on early return-to-work programs, and much more. The agency even recommended outside experts to assist the county in planning, activation, and management of new controls and processes.

It was an ambitious undertaking, but one with a definite value payout for both the client and the agency.

Relationships, be they personal or business, require constant attention and care. As a divorced couple can attest, secrets can kill relationships. How are you managing the valued relationships within your book of business?

Article source: The Anderson Agency Report

Author: Jack Burke– President of Sound Marketing and a specialist in customer service, marketing, and communication. Jack is the author of *Creating Customer Connections* and *Relationship Aspect Marketing.*

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Crime Does Not Pay

Levenson

A former Maricopa County constable, Jonathan Harold Irwin Levenson exploited the Yom Kippur Jewish holiday to burn down his Tempe, AZ, home for insurance money, prosecutors charge. The former Tempe constable allegedly had cronies set the fire when he was out of state for the holiday. The cronies also defaced Levenson's home with anti-Semitic symbols to make the fire look like a hate crime, prosecutors allege.

Mark DiMichele's stolen-vehicle claim was a coverup for a hit-and-run. The Philadelphia-area man was driving the wrong way down a one-way street and struck an oncoming vehicle. He sped off, racing through two stop signs. The other motorist followed but quit when DiMichele blasted through a red light. The motorist still gathered enough identifiers to help police track down DiMichele. The next day DiMichelle filed a police report lying that his car was stolen from a parking spot outside his residence the day of the hit-and-run. He then filed a false theft claim with his insurer. DiMichelle received two years of probation**.**

Susan Diane Hendricks shot and killed both of her sons, ex-husband, and stepmother for a life-insurance payout, South Carolina prosecutors charge. The Liberty woman allegedly tried to cover up the crime by lying that one of her sons killed the family members then turned the gun on himself. Hendricks shot her family with a handgun she keeps in her nightstand, prosecutors say. Officers found "a significant trail of blood" after entering the home. *Fraud News Weekly* will keep readers updated as more details are made known.

A Washington State agent duped 25 oral surgeons in the state by selling them fake liability policies. Brenda MacLaren-Beattie also sold fake policies to 16 medical offices in Oregon. The Des Moines, WA, woman gave them fake insurance certificates and even paid some small claims herself. The scheme was uncovered when a client became suspicious after receiving a claim check issued by her instead of the insurer. MacLaren-Beattie received 26 months in prison and must repay $532,659.

Monique Peaslee banged into another car when she pulled into traffic in Farmington, NH, but her Geico policy had lapsed several months prior. After trading info with the other driver, Peaslee drove home and had her policy reinstated. She did not tell Geico about the crash until a week later when Peaslee called the insurer to report the accident. She stated she was at fault and that the other driver planned to file a claim against her policy. Peaslee lied that the accident happened one day after she reinstated her coverage. She never filed a damage claim for her own car. Geico referred the case to the insurance department when Peaslee did not return calls from a Geico investigator. The department's fraud investigator noticed inconsistencies between the dates witnesses provided and Geico's records surrounding the policy reinstatement. Peaslee finally admitted all in late October and received a year in county jail.

Physician Richard Ruth "created a generation of drug addicts," Pennsylvania prosecutors charged yesterday. The Philadelphia-area man allegedly wrote nearly 1,800 prescriptions for addictive painkillers, handing the pills to addicted patients, street drug dealers, and patients who later died from overdoses. Investigators caught on when street informants said Ruth was the go-to guy for pain meds. One informant allegedly said he could score large amounts of oxycodone with just a 10-minute visit, without providing medical records or ID. Patients and informants had their prescriptions refilled long before they ran out, prosecutors say. In one case, detectives found a mother of two unresponsive. A hypodermic needle and one painkiller allegedly prescribed by Ruth lay next to her body. Relatives of other patients allegedly said he kept doling out painkillers to loved ones even after they called him to stop. Ruth allegedly replied that he did not want the addicts to suffer withdrawal.

Attorney Robert Belshaw set up a sham law practice whose only purpose was to negotiate insurance settlements for bogus injury treatment of members of a staged-crash gang that stole about $3 million from auto insurers. The Marina del Ray, CA, man was a ringleader along with Solomon Morris Davis, who had recruited him. Davis set up a fake clinic under the name of his unsuspecting wife, Dr. Jody Hunter-Davis. She had no role in the clinic's operation, which her straw ownership illegally legitimized. The signatures of doctors who worked part-time at Total Medical Healthcare were forged onto inflated injury treatment billings. Belshaw received seven years and eight months in prison. Davis received 12 years back in April.

Belshaw

Lemuel Wallace did not have a chance. The blind, developmentally-disabled man was picked up from his group home and shot dead in a Baltimore park bathroom. He was the victim of a pastor's scam to steal $1.4 million in life insurance money. Kevin Pushia befriended Wallace and posed as Wallace's brother on several life policies listing Pushia as the beneficiary. Pushia then stole his own church's funds to pay two brothers more than $50,000 for the hit on Wallace. He also scribbled "LW project complete" in his day planner, which haunted him at trial. Pushia received life in prison in October for Wallace's murder and another 45 years for the insurance fraud.

Geraldine Presley's hubby died but she kept depositing his workers' comp checks for eight months after he passed away, Florida prosecutors allege. The Pasco County woman allegedly stole more than $8,000. Presley says she thought the checks were annuities that were supposed to continue after his death. Prosecutors are not buying it.

To learn more about insurance fraud and simultaneously earn CE credits, visit http://bigivu.learn.com/learncenter.asp?sessionid=3-90466A39-F0E1-4C0E-B2B9-C357CF57D469&DCT=1&id=178517 for on-line courses, resources and daily news.

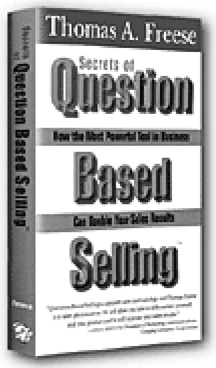
Four Ideas For Doubling Your Sales Income

by John Chapin

Believe it or not, significantly increasing, even doubling your sales and income, doesn't have to be difficult. Below we'll discuss four simple steps that, when applied, can put you in a position to dramatically increase your income and have your best year ever.

Four Steps to Doubling Your Income:

1) Get better at selling.
If you get better at prospecting, presenting, overcoming objections, closing, follow up, and other aspects of selling, you can easily double the amount of sales you close, thus doubling your income.



In order to get better at selling, you want to one: make sales a study, and two: do what the top sales people do. Pick up and study anything you can find on the subject of selling including books, CDs, DVDs, articles, and other material. Next, find the top salespeople in your office, your company, and your industry, along with the top salespeople in other industries, and find out what they do to be successful. Read their books and articles, call them, e-mail them, take them to lunch or dinner, do whatever you have to do to find out what they do, then do the same things and you'll get the same results.

2) Eliminate your largest roadblock.
What one issue do you have that, if eliminated, would have the largest impact on your business? Is it a lack of leads, an inability to close sales, a lack or organization? Whatever the problem is, zero in on it with the focus of a laser beam and resolve to eliminate it. Brainstorm ideas, talk to others, read books, search the internet, do whatever you have to do to come up with ideas to remove the roadblock and then get to work on blasting through it.

3) Spend more time on the most important tasks.
Your most important tasks as a salesperson are: prospecting and building your network, presenting and closing, and follow up and building long-term relationships. How much time do you spend on these tasks during the week? The more time you spend on these, the more business you will do. If you can spend the majority of your time in these areas, your business will explode. Ultimately you should be delegating anything that is not related to these tasks. Start to eliminate or delegate all tasks that are non-paying, non-business building tasks, and shift that time to the important sales tasks.

4) Get motivated.
If you have a high enough level of motivation, you will do whatever it takes to be successful. In order to find out what motivates you, ask: WHY do I do what I do? Why do I get out of bed in the morning, why do I go to work? WHY? Your WHY will drive your motivation. The more powerful your reasons why, the more motivated you'll be.

To come up with powerful reasons why, look at your goals, your dreams, your aspirations. What do you want to do, be, or become? Where do you want to go? What do you want for those around you? What regrets will you have if you're not successful, if you don't do what needs to be done? Who wins when you win, who loses when you lose? Use these questions, along with some of your own, to find out what drives you.

Keep working on your WHYs until you're motivated to overcome any obstacle or adversity and are completely determined that nothing will stop you from reaching your goals and dreams. It's simple, if you have powerful enough reasons why, you'll be motivated and you simply will find a way to achieve anything in life that you desire.

Working hard on even one of the above items can be enough to double your income in the next 12 months. If you work on several, you may do even better than that. Remember that you alone are responsible for your success or lack thereof. There are people in the Insurance Industry selling more now than they've ever sold before; take the bull by the horns and resolve to have your best 12 months ever regardless of what is going on in the world.

Author: John Chapin—Co-founder of Complete Selling Incorporated, a company helping salespeople significantly increase their sales results.
John is an award winning speaker, sales trainer, coach, and co-author of the gold-medal winning "Sales Encyclopedia" a comprehensive how-to guide on selling.

Your Online and Social Media Workflows

Find us on Facebook

by Pat Alexander

I have spent a lot of time working with agencies on recreating their websites and social media plans. Agencies know they need to address these issues, but tell me they have no idea how to start, what to do, or how to get it done.

Everyone is already really busy with the business of insurance. How could there be any time for anyone to manage website updates and social media? I heard some of these same questions when agencies were trying to decide if they would adopt email or not. The argument then was, "we are too busy with phone calls and visits from clients to pay attention to emails." Of course, today more information comes into your office by email than phone, and clients rarely visit the office anymore. The need to build a useful website and social media presence is not going away either.

I have often said that agencies don't recognize all of their competitors. Your competitors today include the physical competitors, such as the independent agent down the street, direct writers, payroll service firms, and banks. Your online competitors include some of the independent agents down the street, around town, and around the nation. They include all direct writers, payroll service firms, and banks. Their online presence is not limited to websites. They might have a Facebook page, a Twitter account, Google Places, Google Ads, Facebook Ads, and an email marketing campaign.

Oh—and I forgot to mention iPhone, iPad, and Android apps. How much easier could it be for people to get an insurance resource? Many people think apps are for games or banks. Not true. Some secotrs of the business world have been moving at warp speed when it comes to creating and rolling out apps. Many direct writers have done a good job at this too. Independent agents? Not so much.

Getting started

The big question is what to do and how to get started. As with anything you do in business, you need to do research and have a plan. There are multiple resources available. Many of them are free and others are offered at a low cost. The Big "I" of America provide the Agents Council for Technology website with a wealth of free information (http://www.iiaba.net/act).

Once you have a plan and have decided to set up a new website, Facebook page, or Twitter account, what comes next? What platform should you use? What is going to be posted on Facebook or Twitter? Who is going to post? When are you going to post? If you are going to be blogging at your website, who, what, and when?

Your website should be in a platform such as WordPress so someone in the agency can make content updates as needed. While it's easy to get into the back end of a Word Press site and actually edit a page or post a blog, it does take attention to detail. This type of activity is normally not the best use of the time or abilities of the agency owner, managers, or staff who are busy with the business of insurance.

As for Twitter, I consider an agency's Twitter account a team "event." If someone is attending a Chamber meeting at the same time someone else is attending a Rotary meeting or community event, each of these individuals should be posting to the agency's Twitter account.

The agency's Facebook page might be better managed by one individual who gathers input from a variety of people. You might promote community events, announce agency promotions, births, marriages, etc. One individual can collect the information, edit, and post in accordance with the agency guidelines. An exception to this might be the emergency announcements such as weather closings and tips for protecting property. More than one individual should have access to the account, but only one person should manage the account on a daily basis.

While several people may blog at your website, I have found it best to have a designated person who edits and posts the blogs. This person should also be responsible for doing any actual updates to the site (staff changes, product changes, testimonials, etc.).

Agencies that are successful at managing their online presence follow this plan. In some agencies, the designated person responsible for social media is the receptionist, marketing manager, assistant, or someone on the processing staff. The key is to find an individual who enjoys this. Before you set this person up with passwords and turn him/her loose, make sure the person has:

- Full support of owners and managers.
- Written standards and procedures
- Proper training.
- All the tools they need.
- Proper allotment of time in their job duties for these tasks.

Remember, you don't have to do everything at once. Make a plan, and complete it in steps. Monitor and adjust the plan as necessary.

Article source: The Anderson Agency Report
Author: Pat Alexander—Consultant, Coach & Mentor. You can reach her at www.PatAlexander.com plus you can subscribe to Pat's industry blog at www.InsuranceEcosystem.com. Pat has many years of experience in retail agency and MGA settings.

We're living in a state of constant e-mail attack.

With such high volumes of e-mail, readers are forced to make split-second decisions about the value of a message. How do you avoid the trash - or worse, SPAM blocker - and grab your reader's attention? Use these tips to stand out in any in-box and give your readers something to be remembered.

1. If you're going to use a person's name in the "from" line, it should be one that your readers will recognize. When in doubt, stay consistent: use your organization's name.

2. E-mails should be no more than four scrolls long. In other words, a person reading the e-mail on their smartphone should not have to scroll (or, in the case of the iphone, swipe) more than four times to get to the end of the message.

3. If you find that you're getting blocked/ spammed by readers, place the "click here to unsubscribe" link at the top of your e-mails. If the link is hard to find, people will click "report as spam" in their own e-mail system.

4. Many readers are checking e-mails on their smartphones. show your readers that you speak the mobile language; make your e-mails very mobile friendly.

5. Images within the body of an e-mail should be 480 pixels or less. Images larger than 480 pixels distort the appearance of your e-mail on smartphones and make mobile reading more difficult.

6. When uploading images into an e-mail, add "alt tags" - an alternative text (a standard feature in most e-mail marketing systems). If your image doesn't load properly in a reader's in-box, it will display your chosen text, not the menacing red "x."

7. Consider a re-engagement campaign to reach out to inactive readers. Typically these campaigns involve several e-mails over the course of a few months. One of the e-mails should highlight the benefits of your newsletter. Re-engagement takes time and effort, but it's worth it. It will clean up your lists, improve deliverability, and allow you to focus on your loyal readers.

8. There is no best time or day to send an e-mail. send when you want to send. If you have access to optimization scheduling, take advantage of it. Optimization delivers your e-mails to each reader based on their e-mail habits over time.

9. If your e-mail contains a table of contents, make sure to double space the links. The extra line leaves enough room for smartphone readers to click with their large, often clumsy thumbs.

10. Remember that e-mails aren't web sites. You don't need to have all of the information in the body of an e-mail. Use catchy headlines and noteworthy details, but don't make it too long. If the reader wants to know more, they'll click.

10 ways to IMPROVE your e-mail marketing

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Agent Liability for Property Undervaluation

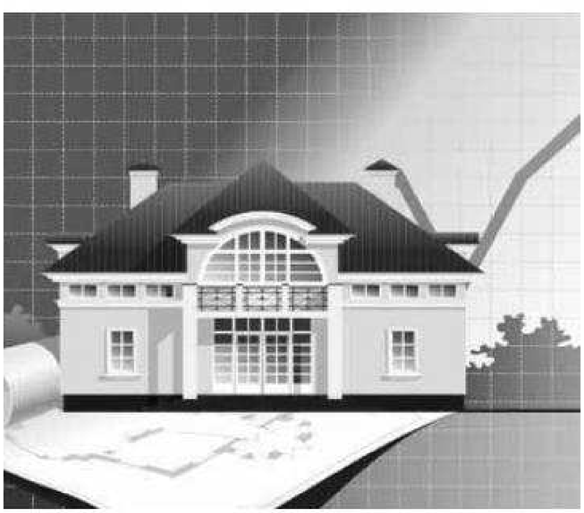
More than 60% of U.S. homes are undervalued by an average of 25%, according to Marshall & Swift/Boeckh. In some cases, as much as 73% of an agency's book of homeowners business may be undervalued by an average of 35%, according to MS/B. The problem isn't limited to homes either - 75% of commercial buildings could be undervalued by an average of 40%. If an insured suffers an underinsured loss, whose fault is it? According to one recent court decision, it could be the agent's.

In Martinonis v. Utica National Insurance Group, the Massachusetts Court of Appeals held the agent liable for failure to adequately insure a home based on the long-term relationship between the agency and client. The client's regular reliance on the agent's advice and assurances regarding policy limits created a special relationship.

The agent obtained a homeowners policy for the plaintiffs, whose home was subsequently destroyed by a fire. The insurer paid the policy liability limit of $469,000 in full. The plaintiffs contended that the actual damages were $1,164,012.43 and that the agent was negligent in failing to advise them to obtain higher limits. The trial court awarded summary judgment in the agent's favor.

The Court of Appeals reversed, stating: "[T]here is no general duty of an insurance agent to ensure that insurance policies procured by him provide coverage that is adequate for the needs of the insured… [however] in an action against the agent for negligence, the insured may show that special circumstances prevailed that gave rise to a duty on the part of the agent to ensure that adequate insurance was obtained."

The insureds presented facts demonstrating an almost 10-year relationship with the agent, including procurement and advice on insurance policies placed with him on a variety of other properties, which led them to rely on his expertise. The agent had previously advised the insured that their contents limit was inadequate and, following his advice, they increased that amount. However, they contended that, after expressing concerns about their dwelling limit, the agent assured them that the limits were proper.



They thought the $469,000 dwelling limit was too low. The assessed value of the house was around $400,000, and the insureds expressed concern that the assessing authorities were slow to catch up with market value. They also knew that houses in their area were selling for more than $1 million.

"There is no general duty of an insurance agent to ensure that the insurance policies procured by him provide coverage that is adequate for the needs of the insured," according to the Court of Appeals. "The agent does not, in general, have a fiduciary duty to the insured in this regard ... Nevertheless, in an action against the agent for negligence, the insured may show that special circumstances prevailed that gave rise to a duty on the part of the agent to ensure that adequate insurance was obtained."

Special relationships between insureds and agents can muddle the policy limitation lines.

In the court's opinion, the plaintiffs presented adequate evidence of such special circumstances, in opposition to the agent's motion for summary judgment. Their testimony about the long relationship with the agent, the reliance placed on his review of the adequacy of their insurance, his specific assurance on past occasions in response to inquiries that the policies had adequate limits of liability, and the specific assurance in this case that the limits were proper were sufficient to defeat a motion for summary judgment.

The agent's defense rested largely on the fact that no separate compensation, in addition to normal commissions on premiums, was requested by or paid to the plaintiffs to reflect the services he rendered in supplying counsel and advice. However, according to the court, the absence of separate compensation does not mean that special circumstances giving rise to a duty of care did not exist. The facts were enough to create a material issue of fact in the eyes of the court as to whether special circumstances exist on the issue of duty sufficient to survive summary judgment.

To read the entire article, please visit: http://www.iiaba.net/iseprise/EpriseFilterExt.dll/main/VU/Lib/Bus/AM/EOLossControl/WilsonUndervaluation.htm?

You will need to log-in in order to view the entire article. If you do not know your Big "I" website user name and password, email Terri Edwards at terri@iiabaz.com to request your login.

Source: Virtual University's Ask an Expert column.
Author: Bill Wilson, CPCU, ARM, AIM, AAM—
Director of IIABA's Virtual University

REAGAN SURVEY:

Accelerating Organic Growth is Driving Agency Values Higher

Reagan Consulting recently announced the results of its 3rd Quarter Organic Growth and Profitability Survey (OGP Survey), which found that steadily improving organic growth rates are increasing equity returns for insurance agents and brokers.

"The results of this quarter's OGP Survey affirm a growing sense among agents and brokers that conditions are improving for our industry. Organic growth through the first nine months of 2011 is 3.8%, which is 2.8 percentage points above the results from last year," says Kevin Stipe, senior vice president of Reagan. "The combination of continued growth in the economy and an improving rate environment in commercial P&C is helping agencies grow at the fastest rate since 2006."

Other findings from the 3rd Quarter OGP Survey include:

- Organic growth accelerated in all major product lines. Through the first three quarters of 2011, employee benefits is the fastest growing segment at 6.1%. Commercial lines and personal lines grew at 3.1% and 1.7%, respectively.
- Profit margins for brokers actually declined slightly from a year ago (19.5% this year versus 20.4% last year). Profit margins are measured using Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA), and are adjusted for non-recurring items and owner-discretionary expenses.
- Rule of 20 scores reached 13.1, the highest level since the OGP Survey was launched in 2008. The Rule of 20 is a Reagan Consulting benchmark that correlates with value creation and is calculated by adding an agency's organic growth rate to ½ of its EBITDA margin. A score of 20 is outstanding in today's marketplace, and is only currently being reached by about 15% of agencies nationwide. Of the three major product lines, employee benefits once again had the highest Rule of 20 score, followed by personal lines then commercial lines.

"While the organic growth and profitability numbers are still relatively low compared with historical norms, they are vastly improved from the dark days of 2009 when organic growth was negative and profit margins bottomed out. There is no question that agencies are getting stronger and the outlook for the industry continues to improve," says Bobby Reagan, CEO of Reagan Consulting. "We are grateful for the many firms who choose to participate in the OGP Survey each quarter."

The Organic Growth and Profitability Survey was launched in 2008 and stands as the industry's go-to source for real-time quarterly data for mid-size and large insurance brokers. Over 130 agencies participated in the 3rd quarter survey, including nearly half of the firms listed on the Business Insurance Top 100 list. Survey participants receive a confidential, customized comparison of their quarterly financial results against those of the rest of the industry. For more information about participating in the OGP Survey, contact Shirley Lukens at 404.233.5545, or Shirley@reaganconsulting.com

BIG "I" INSTALLS NEW LEADERSHIP TEAM

Minnesota's Donohoe as New Chairman, Oklahoma's Bramlett as Chairman Elect, New Hampshire's Minkler as Vice Chair and Connecticut's Houldin Joins Executive Committee.

Michael Donohoe has been inaugurated as the new chairman of the Independent Insurance Agents & Brokers of America (IIABA or the Big "I"), with Bobby Bramlett as chairman elect, Tom Minkler as vice chairman and Spencer Houldin as the new executive committee member. The new officers began their terms at the conclusion of the board meeting held in conjunction with the Big "I" Leadership Conference in Minneapolis, Minnesota in September.

"The Big 'I' is proud to announce that such highly respected and top professionals in our industry will be heading the Big 'I' executive committee," says Robert Rusbuldt, Big "I" president & CEO. "Mike Donohoe, Bobby Bramlett, Tom Minkler and Spencer Houldin, along with the rest of the executive committee, are a remarkable team that is expected to lead to a productive year."

Mike Donohoe is owner and agent of the James R. Weir Insurance Agency in Mankato, Minnesota. He was elected to the Big "I" Executive Committee in September 2006. Donohoe has contributed to the independent agency system in a variety of ways, including serving the Minnesota Independent Insurance Agents & Brokers (MIIAB) as its president and as its representative on the Big "I" national board of directors. He was named Minnesota "Young Agent of the Year" in 1979 and 1981. Donohoe, who has been instrumental to the success of the Big "I" Virtual University, served as the chair of the VU Oversight Task Force from 2001 to 2006. In 2005, he received the Woodworth Memorial, the highest honor the Big "I" awards to an agent. Donohoe grew up in Lake Forest, Illinois, and is a graduate of St. Mary's College, in Winona, Minnesota. He has been married to his wife Mary for more than 30 years and they have four children: Katie, Gina, Meghan and Patrick.

Bobby Bramlett is president & CEO of the Bramlett Agency in Ardmore, Oklahoma. He began his insurance career with The Bramlett Agency in 1975 and has served as its president and CEO since 1983. He purchased the agency from his parents, Jim and Janie Bramlett. The agency celebrated its 60th anniversary in 2008. He is past president of Independent Insurance Agents of Oklahoma (IIAO) and is currently is serving as Vice Chairman of IIABA. In 2008, Bramlett received the IIABA Government Affairs' highest award, "The Sydney O. Smith National Legislative Award." He was also given IIAO's highest award, "The Eagle of Excellence Award," in 2009. In his community, he serves as a Director of First National Bank and Trust Company, Trustee of The Glen Foundation, and as a Trustee of St. John's Northwestern Military Academy. Bramlett is a graduate of St. John's Military Academy in Delafield, Wisconsin, and earned his Bachelor of Business Administration degree from the University of Oklahoma. Bobby and his wife Nanette are proud parents of son, Jake, who is now a producer in the agency, daughter-in-law, Jennifer, and grandson Bryce.

Thomas "Tom" Minkler is president of the Clark-Mortenson Agency in Keene, New Hampshire. Minkler is a past chairman of the Independent Insurance Agents and Brokers of New Hampshire, past New Hampshire director on the Big "I" National Board and past president of the Massachusetts Association of Insurance Agents. At the national association level, Minkler is past chairman of the Big "I" Government Affairs Committee and has served on various other Big "I" committees including the Professional Liability Committee, the Agents Advocacy Fund, the Agency Administrative Services Committee, the Additional Markets Subcommittee and the Captive Study Committee. He is a frequent speaker for the insurance industry and has provided testimony before the U.S Congress on behalf of the Big "I" on a variety of topics. Earlier this year, he testified before Congress on behalf of the Big "I" in a hearing of the House Committee on Financial Services Subcommittee on Capital Markets, Government Sponsored Enterprises, and Insurance, to discuss insurance regulatory reform. Minkler is active in his community and serves on numerous charitable organizations and civic boards. He resides in Keene, New Hampshire with his wife, Heather and step-son Mike, and has three grown children.

Spencer M. Houldin is president of Ericson Insurance Services LLC, a second generation, insurance agency with offices in Litchfield County, Connecticut and New York City. From 2008 - 2011, Houldin served as chairman of the Big "I" Government Affairs Committee and testified before numerous Congressional committees on behalf of the association. He has also represented the state of Connecticut on the IIABA Board from 2006 - 2011. In 2004, Houldin served as Independent Insurance Agents of Connecticut president. He has held seats on agent advisory councils for many insurance companies. He is also active in his local community serving on the executive committees of The Western Connecticut Health Care Network, which is a multi-hospital organization. Houldin is also past president of the local rotary. Houldin earned a Bachelor of Arts degree at Lafayette College. He resides in Roxbury, Connecticut with his wife and two children.

The 2011-2011 Big "I" chairman, J. Michael Miley, who will serve on the committee as immediate past chair for one year, is an account executive with Gibson Insurance Group in Plymouth, Indiana.

Source: Article provided by Margarita Tapia—Director of Public Affairs, Independent Insurance Agents & Brokers of America, Inc.

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