



CONGRESS PASSES FLOOD INSURANCE REFORM AND MODERNIZATION BILL *LONG-TERM REFORM AND EXTENSION LEGISLATION CLEARS BOTH CHAMBERS; SENT TO PRESIDENT*

Congress has passed the “Biggert-Waters Flood Insurance Reform and Modernization Act of 2012.” The legislation would extend the National Flood Insurance Program (NFIP) for five years and make needed reforms to the program. The bill was passed on June 29, 2012 as part of a Conference Report package along with the Surface Transportation Act of 2012 and an extension of the Federal Direct Stafford Student Loan program.

The legislation extends the NFIP for five years, until Sept. 30, 2017, and makes important reforms to modernize the NFIP. These include phasing out subsidies for many properties, raising the cap on annual premium increases from 10% to

20%, allowing multifamily properties to purchase NFIP policies, imposing minimum deductibles for flood claims, requiring the NFIP administrator to develop a plan for repaying the debt incurred from Hurricane Katrina, and establishing a technical mapping advisory council to deal with map modernization issues. The legislation would also require the Government Accountability Office (GAO) to conduct a study on the prospect of adding business interruption and additional living expenses coverages to the NFIP and would require the Federal Insurance Office (FIO) to study and submit a report to Congress on natural disaster insurance issues and possible legislative solutions.

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HIGHLIGHTS: THE BIGGERT-WATERS FLOOD INSURANCE REFORM ACT, TITLE II OF H.R. 4348, SURFACE TRANSPORTATION EXTENSION ACT OF 2012

Title II provides for a five year reauthorization of the National Flood Insurance Program (NFIP), which has not had a long-term reauthorization since 2004.

- The authorization of the NFIP is set to expire on July 31, 2012.
- A long term reauthorization has been the #1 priority for every major stakeholder group involved in the process, from local communities to insurance providers to good government organizations.
- Since September 2008, the NFIP has been extended 17 times, and the program has lapsed four times during that same time period, creating needless uncertainty in the residential and commercial real estate sectors in communities across the country.

Title II contains a series of fundamental reforms to the NFIP that the Congressional Budget Office (CBO) has estimated will generate a \$2.7 billion increase in net income to the program over the next 10 years.

- Title II – combined with the reforms regarding ending NFIP subsidies for second and vacation homes enacted in May (P.L. 112-123) – ends the decades-old subsidies for about 355,000 policyholders which reduces the program's need to borrow additional funds from the Treasury.

At the same time, Title II provides greater protections for homeowners who buy flood insurance through the NFIP.

- To reduce the “sticker shock” new purchasers might face, Title II gives NFIP policyholders the flexibility to pay in installments instead of one lump sum.
- Title II phases in the cost of full actuarial insurance rates for newly mapped properties starting at 20 percent in their first year and increasing by 20 percent each year thereafter.

- Title II allows for communities making adequate progress in the construction of their flood protection systems to qualify for lowest possible chargeable risk premiums for up to five years, meaning that the rates they pay during construction will be set at the level they would be paying once their dams and levee projects were complete. Certain communities close to achieving that adequate progress standard may qualify for two additional years of the lowest possible rates.

To address concerns about the mapping process, Title II reinstates the Technical Mapping Advisory Council to bring in the expertise and perspectives of other stakeholders in the Federal Emergency Management Agency's (FEMA's) process for setting new mapping standards.

- The Council will include federal, state, local, and industry experts to help FEMA review flood hazard risk mapping standards and propose new mapping standards to FEMA.
- As FEMA adopts those recommendations, local communities may request to be remapped based on those new standards.

Title II also contains an emphasis on encouraging greater private sector participation in providing flood insurance coverage.

- Currently, private sector flood insurance is not generally available or obtainable for many.
- Title II reemphasizes FEMA's ability to get private reinsurance to back the program instead of relying upon borrowing from the Treasury.
- Title II also requires lenders to accept non-NFIP backed flood insurance coverage provided by a private entity if that coverage meets all the same requirements as NFIP-backed flood insurance.



NOTE FROM THE CEO

Gray Marion, CAE
IIAWV Chief Executive Officer
gmarion@iiaawv.org



First the Supreme Court affirms the Patient Protection and Affordable Care Act and then the rains came. And then the winds came. And then came the claims and they seem to just keep on coming. The Summer of 2012 will be remembered in West Virginia for a long time to come. Many of IIAWV's member agencies suffered their own power outages and a few are still without power two full weeks after the storm. The association office was without power for about three days. IIAWV Business Manager Valerie Toney had no power in her Mason County home from June 29 until July 10. If you or your agency is suffering from the effects of the storm while you struggle to handle the enormous increase in work from new claims, let us know. There may very well be ways in which we can be of assistance to you.

Over the past couple of weeks, your agency has received at least one copy of the Big "I" Markets catalogue in the mail. In this edition of the Insuror, there is an article about the catalogue and the markets access program as well as an electronic link to the catalogue. I can't encourage you strongly enough to take a few minutes and review the catalogue. The products and services that you can access represent some of the most valuable benefits of your agency's association membership. Making use of them can make you and your agency a lot of money. After you review the catalogue, if you have questions, by all means call me or Valerie Toney at 800-274-4298 and we will be delighted to walk you through the programs and assist you in getting your agency set up to take advantage of this genuinely lucrative opportunity.

Speaking of the US Supreme Court decision on healthcare reform (PPACA), now attention turns to our own state government and how West Virginia will react to the decision. Governor Earl Ray Tomblin has yet to decide if West Virginia will join a federal effort to extend health insurance to thousands of low-income West Virginians through an expansion of the Medicaid program. Medicaid currently insures about 420,000 West Virginians making up to about 30 percent of the federal poverty level. If implemented here, the expansion effort is estimated to provide insurance to about 130,000 additional West Virginians. Governor Tomblin is facing a genuine dilemma. At first glance, his choice appears to be simple because the Federal Government pays the bill for the first few years. The problem lies down the road because after 2020, states have to pay 10 percent of

the bill. That seems to be a small portion, but West Virginia's tab is estimated to be about \$80 million a year, although there have been no recent or detailed estimates. Anyone know where you can lay your hands on an extra \$80 million a year?

The Governor is also now facing a decision on the appointment of members to a board that will oversee the state's insurance exchange. The law that created the board called for a licensed insurance agent to be a member of the Board. Governor Tomblin's appointments to this board are eagerly awaited by wide range of constituencies including the IIAWV. In response to a question posed by the Charleston Daily Mail recently, Jeremiah Samples, an official with the West Virginia Offices of the Insurance Commissioner, said the fate of the board was "being deliberated upon by the Governor's Office." An administration representative said earlier this year that the Governor was awaiting the Supreme Court ruling to appoint members to the board. Now the administration has the Supreme Court's decision. The next decision is Governor Tomblin's. Governor Tomblin is an experienced and capable public servant who understands state government and its funding as well as anyone who has ever held the office of Governor. The decision facing him will affect our state and its citizens for generations.

Finally, our association recently marked the passing of two great member agents. Ms. Cuba Douglas of Douglas Insurance Service in Buckhannon and George H. Friedlander, founder of George H. Friedlander Company in Charleston passed away after long and successful careers as independent insurance agents. The association notes their passing with sadness and respect. Both Ms. Douglas and Mr. Friedlander were great insurance agents and they shared a love of the business and a respect for the IIAWV. We miss them already and extend our condolences to their families and friends.

Thanks for your membership in and support of the IIAWV. Let us know if we can be of assistance to you and your agency.

THREE DINOSAUR MARKETING TACTICS (AND WHY THEY'RE DYING OFF)



By Martin P. Agather, CPCU, ARM

Dinosaurs were the largest land animals that ever existed. This diverse, large group of species lived from 230 million years ago until their mysterious extinction about 65 million years ago.

Some biologists theorize that today, the earth is in another great period of biological extinction. The categories

of extinct, endangered and threatened species don't just apply to animals. They also apply to insurance marketing tactics used by independent agents and brokers in the United States. Independent agents need to consider whether marketing approaches used in years, and even decades past, will be effective for much longer. Here's a look at three tried-and-no-longer-true marketing techniques:

Newspaper Ads: Print newspaper advertising no longer draws the readership it did even a few years ago. Reported The New York Times: "... print [newspaper] circulation continues to weaken ... [in] what has become a relentless overall decline in recent years" (Nov. 1, 2011). Newspapers' advertising revenues declined about 48% from 2006 to 2010, reported the Pew Research Center.

Online versions of newspapers are drawing readers, but many publishers are still struggling with the tasks of earning paid subscribers and proving that web-based advertising works.

Cold Calls: Are cold calls still a way to find prospects and clients? Yes, cold calls can generate activity in some cases. But millions of Americans don't want them.

Beware: Since the Federal Trade Commission established a national "Do Not Call Registry" in 2003, Americans have registered more than 200 million residential land lines and cell phones. That is a big indicator that Americans simply are not interested in unsolicited telephone calls. And Federal law prohibits unsolicited commercial calls to any number contained on the list. Many states have a similar do-not-call registration process for consumers.

A related practice (which seems to increase during election years, since political campaigns are exempt from do-not-call rules) is "robo calling," where a machine dials and then plays an audio recording when the telephone is answered. The Federal Communications Commission in April 2012 changed rules for telemarketers, requiring them to get written authorization to place robo-calls (even for existing customers), and requiring an opt-out mechanism. Again, this indicates that Americans resent the interruptions presented by unexpected telephone calls.

Yellow Pages Advertising: Yellow Pages ads, for decades, were a favorite of many businesses and professionals. Why?

The Yellow Pages targeted potential customers in a defined geographic area, and many of them were ready to buy when they picked up the Yellow Pages.

But, just as for print newspapers, printed phone directories are declining in use. One news report recently cited a 30% decline from 2009-2011 in Yellow Pages advertising revenue.

The Lesson: Stop Interrupting, Start Listening

These three examples of "dinosaur" marketing tactics illustrate an overall trend: The decades-long effectiveness of "interruption marketing" is declining. Consumers and government regulators are taking steps to sidestep, block or outright reject outbound, one-way marketing tactics.

By contrast, consumers today are expecting marketers to reach them through a more information-based approach with tactics such as providing relevant information, answering common questions, and listening through social networking. The good news is that consumers still want and need to hear from marketers, but they want to do it on their terms, on their schedule, and at their pace. This "permission marketing" is highly effective when done right.

In the insurance industry, we at Project CAP see this trend. About three of four of today's personal lines insurance consumers begin their search for coverage online. The dinosaur marketing tactics listed above would miss these prospects altogether.

The 22,000 independent agencies throughout the U.S. have 160,000 licensed producers in 27,000 local offices. Many of these agents and brokers struggle to connect with online consumers -- but agents can win if they adopt marketing approaches like those available through Project CAP that provide them opportunities to interact and provide information and advice to consumers.

One last note about dinosaurs: The word dinosaur comes from Latin and Greek roots meaning "terrible lizard." However, the name is misleading, since dinosaurs are not lizards.

For more information on Project CAP, visit ProjectCAPMarketing.com. Marty Agather (MartyAgather@ProjectCAPMarketing.com) is vice president, client development, for Project CAP. Project CAP provides digital marketing tools and services to help independent agencies, brokers and insurance carriers build their online brands and visibility in order to attract and interact with today's digital consumers. Project CAP was created through an alliance of the Independent Insurance Agents and Brokers of America (IIABA or the Big "I"), Trusted Choice®, state associations and key insurance carriers to expand the independent agent's share of the personal lines insurance market.

Your many clients have many umbrella needs.



Cover them all with the Big "I" Umbrella Program.

As a Big "I" member, you have access to two stand alone personal umbrella markets which enables you to write most any risk you will run across. Whether the risk qualifies for the Preferred Market with RLI Personal Umbrella or the Alternative Market for more difficult to place risks via Anderson & Murison, you can support your state Big "I" association by placing your stand alone umbrella business with the Big I Advantage[®] Umbrella Program.

Preferred Market - RLI Personal Umbrella

Limits up to \$5 million available

Excess UM/UIM available in all states

You can keep your current homeowner/auto insurer

New drivers accepted - no age limit on drivers

Up to one DWI/DUI per household allowed

Auto limits as low as 100/300/50 in certain cases

Competitive, low premiums for increased limits of liability

Simple, self-underwriting application that lets you know immediately if the insured is accepted

E-signature and credit card payment options

Immediate coverage available in all 50 states plus D.C.

Alternative Market - Anderson & Murison

- ♦ UM/UIM available on an admitted basis in most states
- ♦ Limits up to \$10 million available
- ♦ Ideal for risks that have drivers with multiple violations/accidents
- ♦ Will consider high profile personalities such as elected officials, athletes, media personalities & entertainers
- ♦ Will consider risks with prior liability losses exceeding \$25,000
- ♦ Drivers over age 75 acceptable with two violations
- ♦ Drivers under age 22 can have minor violations
- ♦ Driver exclusion endorsement available for drivers with unacceptable driving records
- ♦ Written on A rated Scottsdale paper

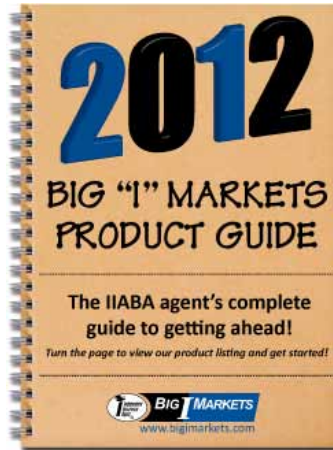
To access log onto www.bigimarkets.com
or visit www.iiaba.net/Umbrella.



WV MEMBER AGENCIES RECEIVE EXCLUSIVE MEMBER PRODUCT GUIDE

One of the many great benefits of being an IIAWV/IIABA member agent is your ability to access an astounding array of products for exclusive use by our member agencies and for sale to your clients. More and more IIAWV members are taking advantage of this money-making benefit and your agency can begin to do so as well.

Within the past ten days, the latest Big I Advantage® newsletter hit the streets and along with it, each IIAWV member agency has received a copy of the Big "I" Markets Product Guide, which provides an overview of all



available products on Big "I" Markets. The response to the guide has been terrific.

Each member agency also received a print copy featuring a supplemental pamphlet highlighting the other insurance and non-insurance program offerings available to IIAWV Member agents.

If you want to take an online look at the Big "I" Markets Product Guide, you can view an electronic copy by just clicking [here](#).

OSHA TAKING AIM AT W.VA. CONSTRUCTION WORKSITES THIS SUMMER

The federal Occupational Safety and Health Administration is launching what it calls a "no-notice" campaign in West Virginia this summer in hopes of reducing construction injuries and deaths.

The "Construction Incident Prevention Initiative" will focus enforcement efforts on construction sites covered by OSHA's Charleston office. That area includes the entire state.

During the campaign, OSHA will send all of its compliance officers into the field to conduct immediate, unannounced inspections when unsafe working conditions are observed.

According to OSHA, its Philadelphia region office had a total of 43 fatalities in fiscal years 2011 and 2012. The region includes West Virginia and Virginia, the District of Columbia and three



other states. Eighteen of those 43 deaths involved falls.

The campaign runs through September.

JULY 16 DEADLINE FOR FEDERAL DISASTER LOANS IN 3 W.VA. COUNTIES

Private nonprofits and small businesses in three West Virginia counties that suffered losses due to drought, heat and storms last year have until July 16 to apply for federal disaster loans.

The U.S. Small Business Administration says the loans are available in Berkeley, Jefferson and Morgan counties.

Applicants can seek loans of up to \$2 million. The interest rate is 4 percent for eligible small businesses and 3 percent for nonprofit organizations with terms up to 30 years. Loan amounts and terms are based on each applicant's financial condition.

Visit us online! www.iiawv.org



It's time to upgrade to Big "I" Flood.

Individual attention. Education and guidance. Timely response. Going above and beyond. These are the hallmarks of excellent service you strive to provide your clients every day. Are you getting the same kind of treatment from your current flood carrier?

Big "I" Flood provides:

ACCESS - In, Above & Outside of the NFIP!

EDUCATION - Classroom CE or the new Flood Learning Center on VU

ADVOCACY - Representation on Capitol Hill & NFIP advisory committees

Learn more at www.iiaba.net/Flood, or contact Big "I" Flood Program Manager Linda Mackey at linda.mackey@iiaba.net or (800) 221-7917. Let us explain how we operate in, above, and outside the NFIP!



IIAWV OFFERS "FLOODSMART" BIG "I" FLOOD AGENT GUIDE

FloodSmart Agent Guide Provides Tips On "Speaking Flood"

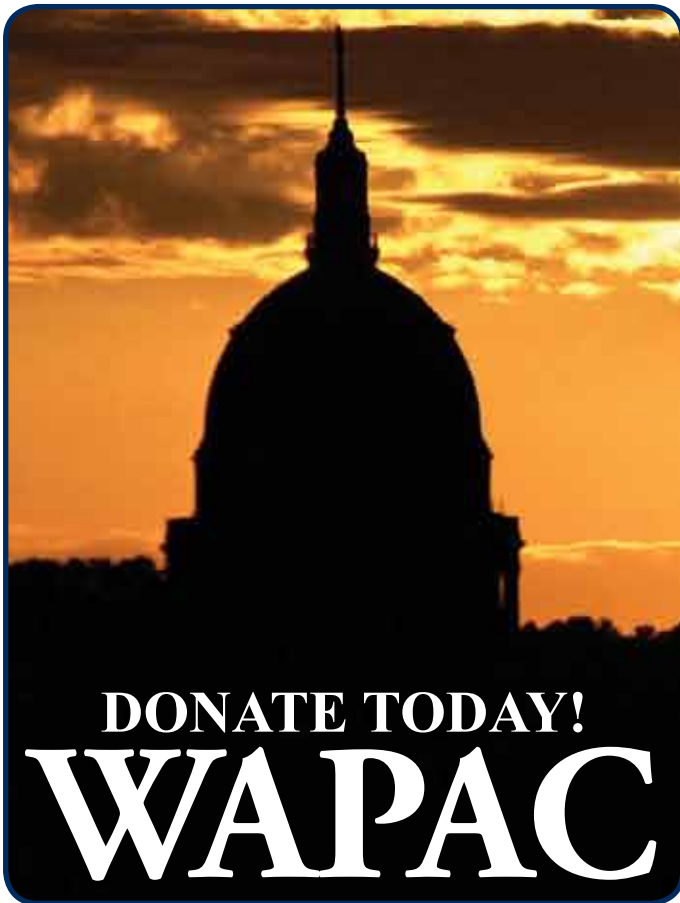
Every licensed property insurance agent having earned 3 hours of Continuing Education credits on flood insurance can sell flood insurance through the National Flood Insurance Program (NFIP) or one of the 82 Write-Your-Own carriers. But flood insurance has a special language – and requires specific sales knowledge. That's why the FloodSmart Campaign developed the **Agent's Guide**.

The Agent's Guide covers:

- Why an agent should sell flood insurance.
- Definition of a flood.
- Differences between Homeowners and Flood insurance.
- Flood insurance policy – what's covered; what's not.
- Key talking points for clients.
- Common client misconceptions and how to overcome them.
- Other agent tools and branding templates.
- FloodSmart Agent Programs to help build your business.

This helpful guide and much more to help you grow your business by flood insurance sales is available from the IIA of West Virginia or at Agent.FloodSmart.gov. Big "I" Flood helps member agents with market access, education and advocacy.

Visit: www.iiaba.net/flood for more on how Big "I" Flood can help you *In, Above & Outside of the NFIP!*



DONATE TODAY!
WAPAC

THINGS YOUR AGENCY NEEDS TO KNOW ABOUT BIG “I” MARKETS

IIAWV MEMBER AGENCIES CAN ACCESS PRODUCTS AND SERVICES CATALOGUES ONLINE

Big “I” Markets is an exclusive IIABA member benefit. But what exactly is it, and how can you and your agency plug in to the power? Here are the answers to the top three frequently-asked questions about Big “I” Markets:

- **What is Big “I” Markets?**

Big “I” Markets is the IIAWV member agent’s gateway to specialized insurance products and services from select insurance company partners with no access fees, no volume commitment, and no software needed beyond basic Internet access. All you have to do is log into the Big “I” Markets system to submit a quote, review underwriting and coverage details, and download important tools and resources.

- **How do I sign up?**

Big “I” Markets now offers online registration, so you can register in just minutes!



- **Where can I get my username and password?**

IIAWV member agents can obtain their Big “I” Markets username or password by **clicking here**, and we’ll send it to you in instantly!

- **What products are available?**

With a username and password, you can log into **www.bigimarkets.com** and explore the product offerings from well-known and

highly rated companies—such as Travelers, The Hartford, and Selective Insurance—available in your state. All Big “I” Markets products available for member agents to access are displayed in the Big “I” Markets system. It is that easy! Whether you are registered as an appointed sub-producer or not, IIAWV members can browse product availability online.

For more information, contact the Big “I” Markets team at (800) 221-7917 or bigimarkets@iiaba.net or call Valerie Toney at 800-274-4298.

BIG “I” APPLAUDS PRESIDENT FOR SIGNING FLOOD INSURANCE REFORM BILL INTO LAW

WEST VIRGINIA DELEGATION VOTES TO APPROVE MEASURE

The Independent Insurance Agents & Brokers of America (the Big “I”) has praised President Barack Obama for signing the “Biggert-Waters Flood Insurance Reform and Modernization Act of 2012” into law. The new law extends the National Flood Insurance Program (NFIP) for five years and makes needed reforms to the program.

The Senate and House passed the legislation last week as part of a Conference Report package along with the Surface Transportation Act of 2012 and an extension of the Federal Direct Stafford Student Loan program. Following an intensive lobbying effort by the IIAWV, West Virginia’s delegation to both the US House of Representatives and the US Senate voted in favor of passage of the measure.

“The Big ‘I’ commends President Obama and Congress for working together, and in a bipartisan fashion, to protect millions of homeowners and businesses across the country who are threatened by flooding,” says Robert Rusbult, Big “I” president & CEO. “The Big ‘I’ looks forward to the implementation of the many provisions that will help put the program on more solid financial footing.”

The legislation that was signed into law will extend the NFIP for five years, until Sept. 30, 2017, and make important reforms to modernize the NFIP. These include phasing out subsidies for many properties, raising the cap on annual premium increases from 10% to 20%, allowing multifamily properties to purchase NFIP policies, imposing minimum deductibles for flood claims, requiring the NFIP administrator to develop a plan for repaying the debt incurred from Hurricane Katrina, and establishing a technical mapping advisory council to deal with map modernization issues. The new law will also require the Government Accountability Office (GAO) to conduct a study on the prospect of adding business interruption and additional living expenses coverages to the NFIP and would require the Federal Insurance Office (FIO) to study and submit a report to Congress on natural disaster insurance issues and possible legislative solutions.

“This legislation has been a top priority of the Big ‘I’ for the last several years, and we are very proud today that this balanced, bipartisan bill that will protect both consumers and taxpayers has finally been signed into law,” said Charles Symington, Big “I” senior vice president of government affairs.



Big “I” Advantage Virtual Risk Consultant
Powered by Rough Notes



In, Above, and Outside the NFIP!



FEMA Photo Minot, ND June, 2011

Flooding can occur anywhere and at any time!

Can we help YOU offer flood coverage?

The Big "I" Flood Program available to all IiABA members provides access to flood markets for most flood risks offering the National Flood Insurance Program (NFIP) for primary flood coverage and excess flood products for risks that have higher values or are ineligible for the NFIP.

Watch for updates and webinars on iiaba.net/flood



Response is everything.

Selective Insurance, a Write Your Own company (WYO) since 1984, has been our program partner since 2001 and is the 6th largest WYO NFIP company.

Selective makes writing flood insurance easy and profitable. Some Selective advantages are:

- Rated A+ by A.M. Best rating since 1961
- Free Guaranteed Zone Determinations
- SelectiveFlood.com - Internet based flood system and customer self-service site.
- Offers both Personal & Commercial
- Dedicated underwriting/claim staff providing individual agency and customer service
- Field Territory Managers with underwriting experience
- Competitive Base Commissions
- Elevation Certificates at a discount
- Insurance to Value (ITV) cost estimator for condos
- Rollover incentives for sizeable books
- Service Center hours of operation 8AM-10PM EST



Follow Selective at [Facebook.com/selective](https://www.facebook.com/selective)

Wells Fargo Special Risks, Inc.



Wells Fargo Special Risks, an experienced flood broker provides access to the Lloyds syndicates for excess flood products providing limits over the maximum available from NFIP and for ineligible NFIP risks:

- Excess over any NFIP Primary
- Non-Participating Community properties (NPC)
- Coastal Barrier Resource Act or Other Protect Properties (CBRA)
- Offers both Personal & Commercial
- Broker or Agent does the filing of taxes/fees
- Limits up to \$15 million or higher
- Business Income-\$50,000 SIR
- [Big "I" Market](#) quote submissions (24-48 hours turnaround)
- Commissions –
12% if agent does filings;
10% if WFSR does filings

For participation, complete online registration at: www.BigIMarkets.com



Need Help Registering? The BIM Help Desk is available by

Phone at 800.221.7917 or E-mail at BigIMarkets@iiaba.net

Name	Title	Phone	Email
Linda Mackey	Big "I" Flood Director	800.221.7917x5380	Linda.Mackey@iiaba.net
Gary Heiligman	Big I Advantage © Assoc, VP	800.221.7917x5390	Gary.Heiligman@iiaba.net
Annette Winston	Selective Territory Manager	804.690.4129	Annette.Winston@selective.com

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CALIPER ORGANIZATIONAL MANAGEMENT WEBINAR LIBRARY AVAILABLE TO BIG “I” MEMBERS

Need to brush up on hiring skills? Need advice on maximizing the effectiveness of your limited staff? What to hear more about how companies are making it through difficult economic times? Caliper, the Big “I” endorsed provider of employee hiring and development resources has a library of recorded webinars on such topics. Free and typically an hour in duration, they feature academics and business leaders sharing their insights, experiences and secrets for success in achieving personal and organizational goals. Below is a sample of the webinar topics available to you.

- How Effective Leaders Think Strategically and Make Winning Decisions
- Uncovering the Leader Within: How to Find Your True North
- Are You Ready to Start Hiring? How to Bring on the Right People and Make Sure They Succeed
- The 3 Things You Need to Do to Improve Your Managers and Teams
- How to Get New Employees Up to Speed – Faster!

- Leading Through Tough Times
- How Are Top Companies Selling Through These Tough Times?
- Five Steps to Building Teams That Deliver
- How to Develop the Future Executives of Your Organization
- Who’s Next? Recognizing and Developing High-Potential Employees
- Help First-Time Managers Realize Their Potential

Among the products available to you from Caliper is the Caliper Profile, an assessment instrument for measuring an individual’s characteristics, potential and motivation. This personality test, validated by more than four decades of research, measures over twenty-five personality traits that Caliper consultants analyze in a variety of combinations to determine how someone will perform in a specific role. Big “I” members can have one completed on a current or potential employee at the discounted rate of \$245. For more information, go to www.iiaba.net/caliper.

Which tool does over half of IIABA’s Best Practices Insurance agencies use? Caliper.



For member-exclusive pricing, go to www.iiaba.net/caliper.

Member pricing applies to the number one requested service, the Caliper Profile.



Best Practices agencies know the bigger you want to be, the better you need to manage your #1 asset... Your people. Caliper does that.

Did you know that the average IIABA Best Practices Agency spends well over half its revenues on compensation? Did you know that the larger the agency, the more they spend on people? Did you know that 55% of IIABA Best Practices agencies are Caliper clients?

Let’s face it, the people in your agency are your biggest asset. They have never been more important. You need to identify and maximize top performers.

There is one resource that is more effective than any other at helping insurance agents successfully navigate today’s challenges: by deploying the best talent. Find out what Best Practices agencies know and many members have known for over 30 years.



50 years

25,000 companies

3,000,000 individuals assessed

UNLOCK

Your IIAWV and Big “I” Member benefits

What will your email address and password help you access to on the Big “I” Web site?

Your IIAWV username and password are the keys to a host of online resources available exclusively to IIAWV members. Visit www.iiawv.org to explore the program offerings or use the direct addresses below to log in and see what treasures you may find.

IIAWV

www.iiawv.org
The West Virginia Insuror
Legislative Updates
Conventions

Virtual University

www.iiaba.net/vu
Research Library
Ask the Expert
Register for on-line CE classes and webinars
Sign-up for the free newsletter

IA magazine

www.iamagazine.com
Access online articles from the monthly print publication and read your weekly Insurance News & Views newsletter.

Legal Advocacy

www.iiaba.net (Click on “Legal Advocacy”)
Carrier Contract Reviews
Hot topics on Capitol Hill
Information on insurance related Federal court cases
Industry Legal Issues

Big “I” Markets

www.bigimarkets.com
Access commercial and personal lines products such as affluent homeowners and commercial package products from top carriers, with no fees and no production minimums.

Member Marketing Activity Center

www.iiaba.net/mmac
Access a suite of marketing resources including leads, postcards and email campaign ideas.



Big “I” Professional Liability Virtual Risk Consultant

www.iiaba.net/vrc
Use your login credentials to purchase the on-line underwriting and sales reference library.

Big “I” Professional Liability Risk management Website “E&O Happens”

www.iiaba.net/eohappens
Dive into a wealth of risk management resources available to Swiss Re policyholders.

Trusted Choice®

www.trustedchoice.com/agents
Access logos, advertising material, branding guidelines plus your agency’s profile and account information.

It is important that names and email addresses for each agency employee be listed in our member database. Many of our website pages are proprietary and may only be accessed with your user ID and password. Your email address is your user ID. If you don’t know your password select the “Forgot username or password?” option listed on any page of the IIAWV website (www.iiawv.org) and it will be sent to you.

Feel free to contact us at (800) 274-4298 with questions on these resources or other member benefits.



TRUSTED CHOICE TOOL GIVES MEMBER AGENTS PRESENCE ON MOBILE DEVICES

A new mobile application makes it easier for clients to contact their independent insurance agent. The Trusted Choice mobile application is for use on smartphones and tablet computers. It provides consumers with the ability to keep an inventory of their insured personal possessions, document a car accident with photos, read consumer insurance tips, and communicate with their agent.

A co-branded version can be customized for Trusted Choice agencies with their logos and color schemes. A Trusted Choice version includes a "find an agent" feature that helps consumers find a local Trusted Choice independent agent.

The mobile app is available in the iTunes store for use on iOS devices such as iPhones and iPads, and in the Google Play store for use on Android phones and tablet computers. It is a free download for consumers.

The Trusted Choice mobile app was developed by Project CAP in conjunction with the Independent Insurance Agents and

Brokers of America and Trusted Choice.

"IIAWV member independent agents now have a real presence on consumers' phones and tablet computers," says Gray Marion, CEO of the Independent Insurance Agents of West Virginia. "The new mobile app is built for consumers and branded for Trusted Choice agencies. It gives consumers one-click access to Trusted Choice agents and insurance information."

Consumers increasingly are turning to mobile access including apps. Nearly half (46 percent) of American adults owned smartphones as of February 2012, reported thePewResearchCenter's Internet & American Life Project.



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VIRGINIA TO ENFORCE CERTIFICATE OF INSURANCE USAGE

Widespread misunderstanding regarding the proper use of certificates of insurance has led to new changes relating to their use that will become effective July 1, 2012, according to Virginia's Bureau of Insurance.

The Bureau reported that some private and public entities requested insurers and producers to issue certificates inconsistent with the underlying insurance policy or contract, a violation of the state's insurance code as well as subjecting insurers and producers to possible disciplinary action.

Earlier this year, during the Virginia Acts of Assembly, an act to amend the code relating to unfair insurance trade practices regarding certificates of insurance was approved.

According to Joe Hudgins, vice president of education and technical affairs for the Independent Insurance Agents of Virginia, many of the association's members received multiple requests generated out of the construction business.

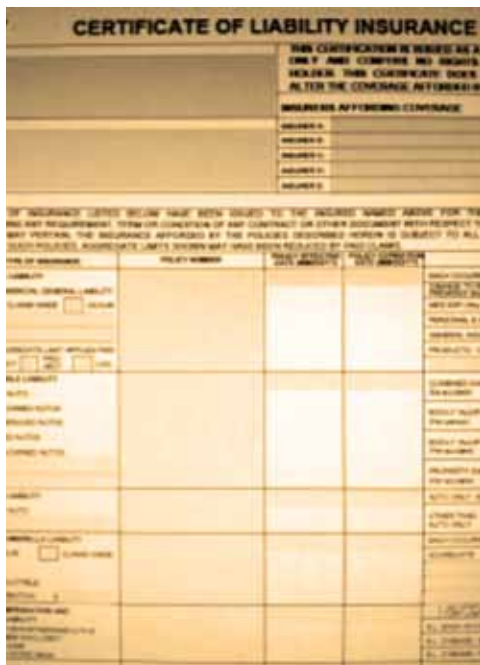
One example included a member agent who received a request to add language to the certificate indicating there were no exclusions. While the insured wanted certain operations to be covered and meant that none of the operations were excluded, placing the phrase "there's no exclusions on the policy that apply to construction" would mean the policy virtually had none.

Another example involved a contractor who demanded completed operations coverage be added to a commercial auto policy, threatening to hold back payment if it wasn't.

In another instance, a certificate holder asked that an additional insured endorsement be added to a workers' compensation policy, despite it being illegal to do so in Virginia.

"The leverage they have if an agent doesn't put something on the certificate that's false or misleading is their insured won't get the contract or they'll get kicked off the job, or they won't get paid for work already done. So it's become a huge problem," said Hudgins, of the bill he and Bob Bradshaw, president and CEO of the association, helped write.

"What can happen, obviously, if I put something on a certificate that's not covered and I give it to you, even though that certificate is not a contract, something happens, you can go to court and rely on that certificate and possibly...the judge might tell the insurance company 'hey, your agent said it's covered – pay it'



and the insurance company then sues the agent, the agent is bare because that's an intentional act and E & O doesn't cover them," Hudgins said.

Hudgins and Bradshaw approached Virginia Senator John Watkins and Delegate Tom Rust to have the bill introduced to the Virginia General Assembly, where it passed unanimously.

As a result, section 38.2-518 Certificates of Insurance, was added to the insurance code. The new section provides a detailed definition of what a certificate of insurance is and applies to all certificates issued in the state of Virginia.

"Amending 38.2-515 gives the Bureau of Insurance the authority to enforce the law. The penalties are in the code and it could be monetary penalties or losing your license, not just as an insurance agent or

an insurance company; but a certificate holder, say a contractor, if they knowingly demand something that they know is false or misleading, they can be prosecuted," Hudgins said. "The law gives the Bureau of Insurance the authority to police it, the authority to enforce it. The law is specific. It says 'any person' not just an insurance agent or an insurance company. It defines what a certificate of insurance is and what it isn't."

In addition, the newly created section outlines the terms of use to include:

- B. No person shall issue or deliver any certificate of insurance that attempts to confer any rights upon a third party beyond what the referenced policy of insurance expressly provides.
- C. No certificate of insurance may represent an insurer's obligation to give notice of cancellation or nonrenewal to a third party unless the giving of such notice is required by the policy.
- D. No person shall issue or deliver a certificate of insurance unless it contains a substantially similar statement to the following: "This certificate of insurance is issued as a matter of information only. It confers no rights upon the third party requesting the certificate beyond what the referenced policy of insurance expressly provides. This certificate of insurance does not extend, amend, or alter the coverage, terms, exclusions, or conditions afford by the policy referenced in this certificate of insurance." If a certificate of insurance is required by a state or federal agency and accurately reflects the coverage provided by the underlying policies, no such

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VIRGINIA TO ENFORCE CERTIFICATE OF INSURANCE USAGE

(CONTINUED FROM PAGE 13)

statement is required.

- E. No person shall knowingly demand or require the issuance of a certificate of insurance from an insurer, insurance provider, or policyholder that contains any false or misleading information concerning the policy of insurance to which the certificate makes reference.
- F. No person shall knowingly prepare or issue a certificate of insurance that contains any false or misleading information or that purports to affirmatively or negatively alter, amend, or extend the coverage provided by the policy of insurance to which the certificates makes reference.

“The biggest thing that we were after was that a certificate holder...can’t bully an agent into putting something on a certificate that’s not covered in order to help their insured get a job, keep a job or get paid for a job,” Hudgins said. “Our intent was to get our agents out of harm’s way.”

Virginia isn’t the only state to take action to enforce strict certificate of insurance requirements. The National Conference of Insurance Legislators (NCOIL) voted unanimously this year to explore a new statutory approach to address how an insured proves insurance to third parties. NCOIL plans to draft a proposal later this summer in conjunction with the already-introduced Certificates of Insurance Model Act.

According to an NCOIL statement, “as introduced, the draft Certificates of Insurance Model Act would require insurance department approval of all certificate forms, mandate “info only” disclosure and prohibit altering a certificate or using false or misleading data. The model, sponsored for discussion by Rep. George Keiser (ND), would ban reference to third party contracts and stress that a certificate confers no rights beyond what the policy says.”



RLI, CHUBB AMONG TOP P/C PERFORMERS: SNL

RLI Corp. tops the list of property/casualty commercial lines carriers ranked by financial performance for the 12 months ending March 31, based on a review by SNL.

RLI beat out Chubb, Dorinco Reinsurance and Argo Group for top honors. A specialty lines insurer, RLI is based in Peoria, Illinois.

Rounding out the SNL top 10 are Markel, Acuity A Mutual, Ally Financial, CUNA Mutual, W.R. Berkley and American International Group.

SNL ranked by financial performance 31 property/casualty entities designated as having a “commercial lines focus” and that held at least \$500 million in policyholders’ surplus as of Dec. 31, 2011. SNL designates a company as having a commercial lines focus if it writes the majority of its net premium in commercial lines business while not specializing in any single area of business, such as workers’ compensation or medical professional liability.

SNL said it evaluated the insurers based on the following metrics, listed in order of importance: annualized rates of return, profitability, asset and surplus growth, investment performance, reserve development and premium growth. This analysis only includes NAIC (National Association of Insurance Commissioners) statutory filers.

To determine the specific performance scores, SNL calculated the mean among all of the companies for each of 13 selected metrics. SNL then calculated each company’s deviation from each of the 13 means. The deviation from the mean was standardized using a Z-test so the different metrics chosen could be compared. The metrics were then categorized and a weighted average was applied to each category.

Returns, both on assets and equity, and profitability ratios relative to premium were the highest weighted categories at 35 percent and 30 percent, respectively. The rates of growth in assets and surplus reflect the annualized sequential change in each metric. To minimize the effect of outliers, SNL set a range limiting the amount of deviation recorded for each company.



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THE WEST VIRGINIA INSUROR

THE FUTURE OF PRODUCER COMPENSATION

BY: CHRIS BURAND



It is a fact that many people with the title “producer” don’t produce. They service and they accept what comes to them, but they do not produce.

It is also a fact that companies are going to find a way to minimize what they pay agencies. After watching benefits carriers drastically reduce compensation without

realizing drastic losses, property/casualty carriers will certainly follow their lead. Benefits carriers have learned they do not have to pay agents, at least not for small accounts. Sure, ObamaCare plays into this, but the writing is on the wall. And even if company compensation is not cut going forward, producers and agencies are going to have to do much more to earn their money.

This is not a “doom and gloom” future. Clearly some agencies will continue their paternalistic and ego driven model of employing non-producing producers for as long as denial trumps financial reality. The great news is for those agencies and producers that are innovative and want to bring more than an insurance policy to their clients, the future promises tremendous rewards. The agencies that act first will gain a long head-start.

How Producers Get Paid

Producer pay, however, has to change. Most agencies are far behind in recognizing this. The large brokers and more sophisticated agencies have a big head start. The fact is that in order to deliver the value that will be required, producers have to take a pay cut. This is not as bad as it sounds because even at a lower percentage, the best producers will make more money than ever as they take over the accounts of all the producers who don’t produce or don’t realize the world of insurance sales has changed forever.

Some sales consultants are on the right path. They are preaching that agencies’ opportunities lie in bringing “value added” services to clients. “Value added” is in quotations because the effectiveness of the different messages varies considerably, with some consultants not even telling their clients clearly what those value added services are. The ones delivering the truest messages are giving some of the best sales advice I have heard

in my 25 years in this industry.

Any of these sales consultants who suggest agencies offer these services without suggesting the agencies’ producers pay for it are only advocating growth, not profits and not survivability. I have seen agencies barely make payroll as a result of focusing on these strategies without understanding the cost of these strategies.

These value added services cost money, sometimes serious money. At the simplest level, some web-based marketing programs are reported to cost \$50,000 annually. The average agency today has a profit margin of 0 percent on a commission basis. If a producer is paid the same for sales generated by the website as they are for sales they generate on their own, how is it affordable? Some other programs easily exceed \$100,000 when the cost of training, personnel, software and other tools are considered. These efforts should benefit producers so why shouldn’t they pay at least part of the price?

Big Agency Advantage

This is where the big agencies are so far ahead. They generally pay half of what normal independent agencies pay producers. Many agency owners do not understand this completely and make the mistake of continuing to pay producers normal commissions. Paying 40 percent when the producer does everything may make sense. Why continue to pay 40 percent when the agency has to effectively pay an extra 3 percent to provide the tools necessary for future quality sales?

To put it in perspective, a consulting firm used to publish an annual study on producer compensation. Every year the press release would be the same: “Producers at large agencies are paid significantly more than producers at small agencies!” The headline was completely wrong every year. Producers at large agencies were paid significantly less, 20 percent versus 40 percent. However, they made more because their books were so much bigger that they made up the difference between 20 percent and 40 percent. (For example, 40 percent at \$200,000 is \$80,000 and 20 percent at \$800,000 is \$160,000.) Give the right producers these tools, have them pay for them and everyone will make more than ever.

(continued on page 16)

*I will not accept policy changes from a third party.
I will not accept policy changes from a third party.
I will not accept policy changes from a third party.
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THE FUTURE OF PRODUCER COMPENSATION

(CONTINUED FROM PAGE 15)

Owners though will be burned if they employ producers who cannot really sell. These employees will implore the agency to pay for all their tools without them putting any skin into the game. I have seen this time after time. Performance improves when everyone has skin in the game. If I were a producer who could not sell, I would absolutely not want to put skin in the game because I'd be a definite loser.



To pay for the tools and extra staff that enable these agencies to work proactively all the time with clients, they had to get more efficient. So they demand producers follow procedures. The sophisticated agencies are already ahead. To get ahead of all others and to catch up with the ones that have gone before, make your producers follow procedures.

Tie compensation and following procedures together and the agency wins the jackpot. Providing sales tools increases the cost of

Agencies that act now have a great future. Combine sales tools with refined producer compensation now so you can take advantage of your slower competitors. When companies really begin to pay commission rates commensurate with doing nothing but delivering policies, those agencies still in denial will be doomed. When a policy is renewed year after year with no proactive contact with the client, it is ridiculous to argue that the agency is working for the commission. Yet, many agencies rely on this business model because they cannot afford to regularly touch every client. Imagine then what happens when they feel compelled to provide producers with better tools?

Procedures and Pay

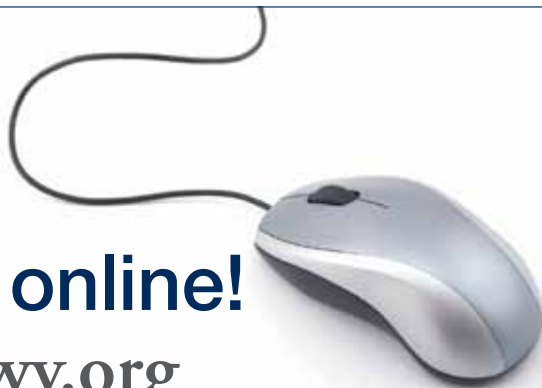
Another advantage sophisticated agencies have is their producers must already follow procedures. I estimate that more than 90 percent of all producers are not required to follow their agency's policies and procedures except, maybe, in a couple of key areas such as turning money over to the agency immediately. The most sophisticated agencies completely understand how producers not following procedures create huge inefficiencies.

the servicing platform. Producers who follow procedures significantly decrease that extra cost. My recommendation is to not pay producers if they do not follow the agency's procedures on an account. If the producer professes that the rules are too complex, make the producer pay for additional staff. Make them put skin in the game. Otherwise, all the sales they make will only move the agency closer to bankruptcy. Agencies do not owe their producers these tools for free. Some agencies may provide them for free but these agencies are rarely going to be long term competitors.

The industry has already changed. Few agencies seem to recognize the true scope of these changes. The agencies that do and act upon them have the brightest futures ever. I look forward to experiencing it with my clients.

Chris Burand is the founder and owner of Burand & Associates LLC based in Pueblo, Colo. Phone: 719-485-3868. E-mail: chris@burand-associates.com.

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ILLINOIS PLACES 2 MUTUAL INSURERS INTO REHABILITATION

Illinois insurance regulators announced that Lumbermens Mutual Casualty Co. (Lumbermens) and American Manufacturers Mutual Insurance Co. (American Manufacturers) have agreed to being placed into rehabilitation.

The Illinois Department of Insurance said under an Agreed Order of Rehabilitation payment of policyholder claims will continue under the direction of the department's director.

On June 26, 2012, the board of directors of both Lumbermens, the lead company of the Lumbermens Mutual Group (LMG) and American Manufacturers consented to start rehabilitation proceedings and the entry of an Order of Rehabilitation.

DOI Director Andrew Boron asked for the entry of an Agreed Order of Rehabilitation in his Verified Complaint filed by Illinois Attorney General Lisa Madigan. The rehabilitation became effective July 2, 2012.

The director intends to use the rehabilitation period to work with the National Conference of Insurance Guaranty Funds' (NCIGF's) Lumbermens Working Group to prepare for the orderly transition of claim-handling responsibilities to the State Guaranty Funds and Associations once an Order of Liquidation is entered. After this process has been completed, the director intends to file a Verified Complaint for Liquidation.

Lumbermens is a mutual property and casualty insurer that was organized in 1912, and held licenses in 49 states and the District of Columbia.

American Manufacturers is a mutual property and casualty insurer that was organized in 1837, and held licenses in 49

states and the District of Columbia. American Manufacturers is a member of LMG.

Lumbermens and American Manufacturers commenced a voluntary run-off in 2003 and have been operating under a run-off plan filed with and approved by DOI in 2004.

A copy of the Order of Rehabilitation is available at www.osdchi.com or by calling 312-836-9500. The Office of the Special Deputy Receiver (OSD), located at 222 Merchandise Mart Plaza, Suite 1450, Chicago, IL, 60654, is assisting DOI Director Boron with the rehabilitation of Lumbermens and American Manufacturers.

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The mission of the Independent Insurance Agents of West Virginia is to be the unrelenting advocate for independent insurance agents and to fulfill member needs while serving the public's best interest.

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