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NATIONAL ISSUE
December 20, 2010 | Vol. 88, No. 24



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Never lose sight of what the reader wants. That has been the motto for *Insurance Journal* throughout its 85-year history of publishing news and information for our most important customers — independent agents and brokers.

To accomplish this mission, editors at *IJ* want to hear from our readers. We want to know their views and opinions, how they see the market, and what they believe the future of the insurance industry looks like. This exclusive

issue of *Insurance Journal* is a testament to that mission.

Together for the first time, readers can enjoy the results of three of our most important and popular reader surveys in 2010: the Agency Salary Survey, the Young Agents Survey and the Agency E&O Survey. But these three surveys represent just a portion of how *IJ* measures readers' views on today's market trends.

Online reader polls have become a popular communication tool. Here are highlights from some of 2010's most popular online reader polls:

- What P/C insurer has the best ads on TV? Readers said Geico (30.21 percent) beat out other insurers (Liberty Mutual, Farmers, Travelers and Progressive).

- Will agencies, employees and small business customers be helped or harmed by the recent health care reform legislation? A strong majority of readers (59.66 percent)

believe their agencies, employees and customers will be harmed.

- Is making business income (BI) coverage available under the federal flood program at actuarially-sound rates a good idea? Just over half of *IJ* readers (50.22 percent) believe that adding BI coverage to the flood program is a good idea.

- When will the soft market begin hardening? No one has a crystal ball, but a close majority (47.22 percent) of *IJ* readers believes rates will begin hardening sometime after September 2011.

- Which insurance professionals are most often underpaid? A third of *IJ* readers (33.87 percent) believe customer service representatives are most often underpaid for their valuable services. The next most underpaid position according to the poll is underwriters (23.65 percent).

- Should Congress attempt to repeal President Obama's health care reform law? Slightly more than half of *IJ* readers (51.35 percent) said yes, to repeal all of the law. But nearly a third (29.13 percent) voted to give it a try.

Big changes are on the horizon for independent agents and brokers in 2011. We look forward to staying abreast of important trends facing your business while never forgetting our mission. Happy holidays and best wishes for a prosperous 2011 from all of us at *Insurance Journal*.

Andrea Ortega-Wells

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Independent Agency Population Holds Steady as Start-Ups Keep Pace with Mergers

The total number of independent agencies in the country remains stable at around 37,500 as start-ups have kept pace with agency mergers and closings, according to a new study of agencies. There are today as many agencies as there were in 2006.

About 11 percent or 4,000 of today's independent agencies were founded in 2008, 2009 or 2010, according to the 2010 Agency Universe Study by Future One, a collaboration of the Independent Insurance Agents & Brokers of America (Big "I") and independent agency companies.

There is a definite regional bias in the population of new agencies. Of agencies founded since 2005, 50 percent are located in the South, 24 percent in the South Atlantic states and 19 percent in the West South Central Census division.

The regionalization of new firms may reflect independent agents stepping in to serve markets that many captive agency companies have abandoned. In contrast, only 8 percent of new agencies are located in the Northeast, compared to 18 percent of older agencies.

Diversity

The study suggests some progress is being made in diversification of agency ownership. The results show a slight increase in the number of new small and medium small agencies with minority principals, according to Madelyn Flannagan, Big "I" vice president of agent development, education and research. She said the proportion of agencies with African-American principals grew from 1 percent in 2008 to just over 4 percent in 2010.

Ownership is also chang-

ing gender. "In addition to the increasing ethnic diversity of agency ownership, albeit from a very low base, these agencies are also solidifying the position of women as principals in over a third of agencies," Flannagan said.

Soft Market Impact

The study also outlines how independent insurance agencies have been hurt by the soft insurance market and, since 2008, the recession. While 55 percent of small agencies saw increased revenues from 2008 to 2009, 25 percent had decreased revenues. In all of the other size categories, agencies with decreased revenues have outnumbered those with increased revenues. The decline in revenues has been worse in commercial lines than in personal lines. Consequently, it has hurt

larger agencies, more dependent on commercial lines, hardest.

The study surveys independent agencies operating in the U.S. about their numbers, rev-

'[A]gencies are also solidifying the position of women as principals in over a third of agencies.'

enue base and sources, number of employees, ownership, mix of business, diversification of products, technology uses, non-insurance income sources and marketing methods.

The 2010 Agency Universe Study was first conducted in 1983. Subsequent studies were released in 1987, 1992, 1996 and 2000. Approximately 2,100 agencies were included in the 2008 analysis. ■

Commercial Pricing Stays Flat, Management Liability Declines

Overall commercial insurance prices were flat for the seventh consecutive quarter, declining less than 1 percent, according to a survey of third quarter activity.

Commercial property, directors and officers liability, and employment practices liability pricing showed declines for the

fourth straight quarter after experiencing increases in 2009.

The Commercial Lines Insurance Pricing Survey (CLIPS) by global professional services company Towers Watson compared prices charged on policies underwritten during the third quarter of 2010 to

the prices charged for the same coverage during the same quarter in 2009.

"The lack of large-scale, market-moving catastrophes in the past couple of years — both natural and man-made — has led to excess capacity and price declines, and we expect to see similar results in the near term," said Bruce Fell, director of Towers Watson's

Property & Casualty practice in the Americas. "Further, prices for management liability lines appear to be stabilizing after the increases that followed the onset of the economic crisis in late 2007 and 2008."

CLIPS data indicate that accident-year-to-date 2010 loss ratios deteriorated 4 percent relative to the same period in 2009. This deterioration — based on nine months of information — is marginally higher than an estimated deterioration of 3 percent for accident-year 2009 over 2008. The higher loss ratios in year-to-date 2010 on an earned basis are driven primarily by higher claim cost inflation indications than those observed in 2009, according to Towers Watson.

Aggregate price change indications showed some differentiation by account size, with flat indications for small and mid-market accounts, and moderate price reductions in large accounts and specialty lines.

CLIPS results continue to indicate that companies that report utilizing predictive modeling techniques for pricing and risk tiering have been more successful, on average, in holding price levels.

CLIPS data are based on both new and renewal business figures obtained directly from carriers underwriting the business. CLIPS participants include many of both the top 10 commercial lines companies and the top 25 insurance groups in the United States. ■



It Figures

4,000

The number of independent agencies founded in 2008, 2009 or 2010, which represents approximately 11 percent of the more than 37,500 total independent agencies in the United States today, according to the 2010 Agency Universe Study by Future One, a collaboration of the Independent Insurance Agents & Brokers of America and independent agency insurance companies. Of agencies founded since 2005, 50 percent are located in the South, 24 percent in the South Atlantic states and 19 percent in the West South Central Census division.

20%

The near percentage of drivers who were killed last year in car crashes that tested positive for drugs. Researchers with the National Highway Traffic Safety Administration say about one in five drivers killed in auto crashes in 2009 tested positive for drugs, however, the data is not clear that drugs caused the crashes. Even so, drugs were reported in nearly 4,000 drivers who were killed in 2009, or 18 percent of the nearly 22,000 drivers killed last year. In 2005, drugs were found in the systems of 13 percent of the more than 27,000 drivers killed in car accidents.



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The number of days U.S. workers took on average of sick days in 2007 due to their own illness or injury, or to care for a sick child or other family member, according to the Agency for Healthcare Research and Quality. On average, employees took 10 days off because they were sick or injured and an additional four to care for family members. Workers ages 55 to 64 took an average of 18 days off of work, compared with 10 days for workers ages 16 to 24. About 38 percent of female workers missed work in 2007 for their own health problems, versus about 30 percent of male employees.

\$222 Billion

The worldwide economic losses from natural catastrophes and man-made disasters estimated by Swiss Re's sigma research team, which is more than triple the 2009 figure of \$63 billion. The cost to the global insurance industry was \$36 billion, an increase of 34 percent over the previous year. Approximately 260,000 people died in these events, the highest number since 1976, Swiss Re reported. Natural catastrophes cost the global insurance industry roughly \$31 billion in 2010, and man-made disasters triggered additional claims of approximately \$5 billion. Overall insured losses totaled \$27 billion in 2009.

Declarations

Diverse Ownership

“Many new agencies are forming, typically with a more diverse and younger leadership, demonstrating the strength of the independent agency system and the potential for growth.”

— Robert Rusbuldt, president and CEO, for the Independent Insurance Agents & Brokers of America, in response to the 2010 Agency Universe Study published by Future One, a collaboration of the Big “I” and independent agency companies. The results show a slight increase in the number of new small and medium small agencies with minority principals and female principals.

Right to Choose

“This dispute is not simply about regulating the business of insurance — or crafting a scheme of universal health insurance coverage — it’s about an individual’s right to choose to participate.”

— U.S. District Judge Henry Hudson in a 42-page decision in which he declared unconstitutional a key part of President Barack Obama’s landmark health care law in the first major setback on an issue that will likely end up at the Supreme Court. Hudson, appointed to the bench by President George W. Bush in 2002, backed arguments by the state of Virginia that Congress exceeded its authority by requiring that individuals buy health insurance by 2014 or face a fine. (Reuters)

Cyber Risks

“A discussion of digital risks should be on the agenda of board meetings everywhere as cyber attacks become more frequent, more creative and more disruptive.”

— Lord Peter Levene, chairman of Lloyd’s, commenting on a new Lloyd’s report titled, “Managing digital risks: trends, issues and implications for business.” The report warns that, as businesses become more reliant on technology, they will face more complex and damaging digital attacks as sophisticated attackers quickly adapt their methods to steal from, disrupt and spy on businesses. Many companies are unintentionally exposed to digital risks, believing their existing insurance policies will cover them, but most traditional (property and commercial liability) policies focus on the tangible damage to physical property and do not cover the many new areas where digital risks lie.

Patient Safety

“It doesn’t take decades or tons of money to get from a culture that says ‘mistakes are inevitable’ to a belief that harm is entirely preventable.”

— Peter Pronovost, M.D., Ph.D., responding to a recent study by safety experts at Johns Hopkins that claims a prescribed set of hospital-wide patient-safety programs can lead to rapid improvements in the “culture of safety” even in a large, complex, academic medical center. Pronovost says that establishing a sustained culture of safety in health care has been associated with better outcomes for patients.

National Coverage **Business Moves**

Ryan Specialty Group, Oakbridge

R-T Specialty LLC, the wholesale brokerage unit of Ryan Specialty Group LLC, acquired Bloomfield, Conn.-based Oakbridge Insurance Services LLC, an insurance intermediary focused exclusively on executive and professional liability exposures and insurance solutions. Terms were not disclosed.

Oakbridge was organized in 2005 as the successor to Carpenter Moore Insurance Services' Eastern U.S. operations. Oakbridge also maintains offices in California, Minnesota, New Jersey and Ohio.

Donegal Group, Michigan Insurance

Donegal Group Inc. announced that it had completed the acquisition of Michigan Insurance Co., which was formerly a majority-owned subsidiary of West Bend Mutual Insurance Co.

The final purchase price will be calculated based on the GAAP book value of Michigan Insurance Co. as of Nov. 30, 2010. Donegal Group Inc. estimates that the final purchase price will be approximately \$40 million.

Michigan Insurance Co. writes various lines of property/casualty insurance and had direct written premiums of \$106.6 million and net written premiums of \$26.7 million for the year ended Dec. 31, 2009.

Effective on Dec. 1, 2010, Michigan Insurance Co. entered into a 50 percent quota share agreement with third-party reinsurers and a 25 percent quota share reinsurance agreement with Donegal Mutual Insurance Co. to replace the 75 percent quota share reinsurance agreement Michigan Insurance Co. maintained with West Bend through Nov. 30, 2010. Donegal Mutual Insurance Co. will include its assumed business from Michigan Insurance Co. in its pooling agreement with Atlantic States Insurance Co. Over time, Donegal Group Inc. will have the ability to reduce the level of third-party quota share reinsurance and thereby provide additional premium growth.

Based on Michigan Insurance Co.'s historical underwriting experience and profitability, Donegal Group Inc. believes the acquisition and reinsurance arrangements will be accre-

tive to earnings in 2011.

The acquisition will help the company expand its Midwest operations into Michigan.

American Strategic

American Strategic Insurance Corp. (ASI) has entered Virginia, Delaware and Georgia residential property markets.

The company offers policies for homeowners, renters, condominium owners, seasonal residents and investment property owners through independent agencies. The company also offers flood coverage.

ASI, a Florida-based company, writes in 10 states (Arizona, Colorado, Delaware, Florida, Georgia, Louisiana, New Jersey, South Carolina Texas and Virginia) and says it has plans to enter more than 10 additional states in the next 18 months.

The company currently has \$525 million in written premiums and nearly \$300 million in policyholders' surplus. ■



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Peter Mavraganis

Insurance broker Marsh appointed Peter Mavraganis as U.S. leader of its renewable energy practice. Mavraganis, based in New York, will oversee Marsh's support for its clients in renewable energy development, including solar, wind, biomass, and biofuel energy projects. He has over 35 years of experience in energy, power, utilities and environmental risk management and insurance. Mavraganis succeeds Mark Fishbaugh, who will now lead Marsh efforts in support of clients involved in the construction of new U.S. nuclear facilities.



James N. Michel

Marsh also appointed James N. Michel as a senior vice president in its Global Rail Practice. Michel, who will be based in Washington, D.C., has over 35 years' experience in rail design and operations, with specialties in operational analysis, risk assessment, and safety evaluation for rail organizations. In his new role, he will act as a key railway operations and safety adviser to Marsh clients. Michel joins Marsh from HNTB Corp., an architecture, engineering, planning, and construction services company.



Julie Davis

San Francisco-based Heffernan Insurance Brokers named Julie Davis as a vice president specializing in the technology industry sector and product specialization in network risk, security and privacy liability.

Davis has 25 years of insurance and risk management experience and has been at the forefront of developing programs to help technology firms manage their risks. For the past 17 years Davis has served as executive vice president for Aon Risk Services' Technology Practice, where she created and led its National Practice for Emerging Technology and Life Science firms.

The Virginia State Corporation Commission has named Jacqueline K. Cunningham as the state's next commissioner of insurance. Cunningham has been deputy commissioner of the life and health division of the state's Bureau of Insurance for nearly seven years. She joined the bureau in 1993. Cunningham assumes the new post on Jan. 1, upon the retirement of current Commissioner Alfred W. Gross, who has served as commissioner for 14 years.

PowerGuard Specialty Insurance Services, a manag-

ing general agent named Fred Hilsendager as vice president. Hilsendager brings more than 20 years of retail and wholesale brokerage experience, as well as expertise in the design of insurance, risk management and warranty solutions for renewable energy companies. He will work with retail brokers, project developers, alternative energy investors and others across the country to promote and manage new business opportunities. He will be based in Chicago. Prior to joining PowerGuard, Hilsendager worked for retail broker Holmes Murphy & Associates in Chicago.

Willis has announced three key appointments to its Gulf South insurance brokerage operations.

Robert Allen has been appointed regional partner, Willis of Alabama Inc. He will coordinate Willis' operations in Alabama, Mississippi and Louisiana. Allen will also be responsible for recruiting talent in the region, and developing and executing strategies for growth in its Insurance and Employee Benefits Consulting practices. Previously, he served as managing partner in Willis' Birmingham office.

Jason Gregory has been appointed managing partner of Willis of Alabama Inc.'s Mobile office. He will oversee client service delivery and growth of Willis' Insurance brokerage and employee benefits consultancy businesses in southern Alabama, Mississippi and the Florida Panhandle.

Wes McCubbins has been appointed office leader of Willis of New Orleans Inc. He will be responsible for managing office operations, client relationships and growth through the expansion of Willis resources. Previously, McCubbins served as a producer in Willis' Jackson Mississippi office.

XL Insurance has promoted William F. Mc Enery to senior vice president and Central Region executive, North America Property & Casualty. Mc Enery is based in Chicago. Previously U.S. Middle Market manager – Central Region, he will now direct business development activities across XL Insurance's P/C lines in a 19-state region. McEnery has 30 years of insurance industry experience. He joined XL Insurance in 2008. Prior to XL, McEnery was Central Region vice president and chief underwriting officer for North American Field Operations for CNA. ■

New episode this week!

Tune in to the e-Marketing Minute this week to see Astonish Results President, Tim Sawyer, interview Stuart Ganis of Ganis Consulting. Stuart has spent the majority of his adult life in the insurance industry, and now as a consultant, shares that experience with companies to help them develop new strategies to gain and keep new clients. In this interview, Ganis talks about the trends and needs of the modern agency. This is not an episode you want to miss!

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Top 25 Carriers' Q3 Premiums Rise Nearly 11.5% in 2010 Versus Q3 2009

By Joseph L. Petrelli

Alexander Hamilton once said, "I never expect to see a perfect work from an imperfect man." Despite an imperfect marketplace, the Top 25 property/casualty companies continued to improve. Their continued improvement is evident based on the dollar amount of direct premium written growth from 2009 to 2010.

For the nine months ending Sept. 30, 2010, companies comprising the Top 25 writers of P/C insurance in terms of premium growth applied their experience and, despite a difficult marketplace, improved their direct premium written by nearly 11.5 percent over the nine months ending Sept. 30, 2009. This represents an increase of approximately \$7.75 billion in premium, showing measurable achievement by these companies.

As with past reporting periods, the more than 2,000 insurers that comprise the remainder of the industry did not fare as well. In fact, their third quarter to third quarter direct premium written declined more than 2.2 percent, or nearly \$6.51 billion. In total, direct premium written for the industry was up more than \$1.24 billion.

In an impressive display of growth, financial stability and the application of experience for progress, the Top 25 carriers wrote over 20 percent of the P/C insurance industry's direct premium written. Although the pricing cycle in the P/C insurance marketplace continues to be characterized as soft, the aggressive growth exhibited by the Top 25 leads one to believe that the softest part of the cycle is behind us. It seems unlikely that the world-class companies comprising the Top 25 would need to be particularly

competitive on price to be able to grow.

If this is correct, the pricing cycle may soon reach its bottom. Firmer prices should assist all participants in the P/C insurance industry report period-to-period premium growth. However, until a hard market is the reality, I expect the Top 25 to lead the industry in premium growth on both percentage and actual dollar bases. ■

Petrelli is the president and founder of Demotech Inc., a Columbus, Ohio-based financial analysis firm. Demotech provides Financial Stability Ratings® (FSRs) and consulting services to property/casualty insurance companies, title underwriters and specialty insurers of any size. FSRs of A or better are recognized by the secondary mortgage marketplace, virtually all mortgage lenders, several premium finance companies, an increasing number of umbrella insurance markets and several insurance agent's errors and omissions insurers. Web site: www.demotech.com.

Top 25 Property/Casualty Companies

Based Upon Dollar Amount of Direct Premium Written (DPW) Growth
Nine Months Ending Sept. 30, 2010, Versus Sept. 30, 2009

DPW Growth Rank	Company Name	DPW 9/30/2010	DPW 9/30/2009	DPW \$ Growth	DPW % Change
1	National Union Fire Insurance Co. of Pittsburgh	5,747,507,130	4,800,669,111	946,838,019	19.72%
2	Great American Insurance Co.	1,206,945,280	596,910,305	610,034,975	102.20%
3	State Farm Fire and Casualty Co.	12,701,485,018	12,181,539,884	519,945,134	4.27%
4	Allstate Fire and Casualty Insurance Co.	2,636,697,042	2,142,945,116	493,751,926	23.04%
5	Chartis Property Casualty Co.	588,112,321	104,934,268	483,178,053	460.46%
6	Travelers Home & Marine Insurance Co.	1,760,616,100	1,313,637,408	446,978,692	34.03%
7	State Farm Mutual Auto Insurance Co.	22,677,229,040	22,274,407,323	402,821,717	1.81%
8	USAA Casualty Insurance Co.	2,912,972,818	2,539,163,888	373,808,930	14.72%
9	AGCS Marine Insurance Co.	376,685,354	14,067,935	362,617,419	2577.62%
10	Liberty Mutual Insurance Co.	2,926,565,677	2,609,082,934	317,482,743	12.17%
11	Starr Indemnity & Liability Co.	326,922,487	63,433,187	263,489,300	415.38%
12	GEICO General Insurance Co.	4,340,505,893	4,085,614,637	254,891,256	6.24%
13	Fidelity National Indemnity Insurance Co.	309,827,754	77,035,438	232,792,316	302.19%
14	Travelers Property Casualty Co.	2,751,402,363	2,523,892,949	227,509,414	9.01%
15	USAA General Indemnity Co.	631,211,016	429,184,202	202,026,814	47.07%
16	Garrison Property Casualty Insurance Co.	372,134,954	174,448,967	197,685,987	113.32%
17	New Hampshire Insurance Co.	1,870,711,567	1,681,390,017	189,321,550	11.26%
18	Government Employees Insurance Co.	3,187,022,012	3,011,599,586	175,422,426	5.82%
19	United Services Automobile Association	4,473,034,499	4,299,599,888	173,434,611	4.03%
20	Ironshore Specialty Insurance Co.	378,596,556	211,051,869	167,544,687	79.39%
21	Liberty Insurance Corp.	1,135,928,915	982,175,274	153,753,641	15.65%
22	QBE Insurance Corp.	689,191,380	542,660,629	146,530,751	27.00%
23	Assured Guaranty Municipal Corp.	325,820,153	186,211,324	139,608,829	74.97%
24	Peerless Indemnity Insurance Co.	504,928,639	367,333,529	137,595,110	37.46%
25	Coast National Insurance Co.	356,160,822	225,190,134	130,970,688	58.16%
	Top 25 Subtotal	75,188,214,790	67,438,179,802	7,750,034,988	11.49%
	All Other Companies	288,009,484,072	294,516,201,124	-6,506,717,052	-2.21%
	Total	363,197,698,862	361,954,380,926	1,243,317,936	0.34%

Data Source: The National Association of Insurance Commissioners, Kansas City, Missouri, by permission. Information derived from a Highline Data Product. The NAIC and Highline Data do not endorse any analysis or conclusion based on the use of its data.

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Fact or Fiction?

Insurance Tidbits of Known and Little-Known Information



Have you ever wondered what big events helped shape regulation of the current U.S. insurance industry? Or if drivers of certain cars have more risk? What about the most attractive insurance job in the industry? These are just a few questions that *Insurance Journal* editors will answer in this year's Market Fact Book.

Derived from various industry sources, as well as *Insurance Journal's* own database, the 2010 Market Fact Book collects some of the more interesting (and perhaps not so interesting) insurance facts and figures for your reading pleasure. We hope you enjoy!

Size of U.S. Insurance Market

Twenty-eight of the world's 50 largest insurance markets are individual states within the United States, according to the National Association of Insurance Commissioners (NAIC). As a whole, the U.S. insurance market surpasses the combined size of the second, third and fourth next largest markets. The insurance market of Connecticut is larger than the markets in Brazil or Sweden. The markets in California, New York and Florida are each larger than the markets in India, Ireland or South Africa.

More than 2,000 insurers have been formed since 1995 — leading to a total of more than 7,661 in the United States, according to NAIC. U.S. insurers have combined premiums of more than \$1.6 trillion. States derive \$17.5 billion in taxes and fees from insurers, with approximately 8 percent used to support regulation and the remainder supporting state general revenue funds.

Number of Agencies

The total number of independent agencies in the country remains stable at around 37,500 as start-ups have kept pace with agency mergers and closings, according to the 2010 Agency Universe Study by Future One, a collaboration of the Independent Insurance Agents & Brokers of America and independent agency companies. There are today as many agencies as there were in 2006.

Approximately 11 percent or 4,000 of today's independent agencies were founded in 2008, 2009 or 2010.

P/C Insurers

In 2009, 2,737 property/casualty insurance companies operating in the United

States represented net premiums written of \$423 billion, according to the Insurance Information Institute's Insurance Fact Book 2010. Those P/C carriers sold primarily auto, home and commercial insurance. Total cash and invested assets of P/C insurers 2009 totaled \$1.3 trillion in 2009.

What Cars Say About Their Drivers

Does what people drive affect how they

drive? According to Quality Planning (QPC), the answer is yes.

QPC found that people who drive so-called "spirited vehicles" including Mercedes-Benz, other foreign-made cars and Hummers tend to have more traffic violations than those driving so-called "cautious vehicles," a category that includes SUVs, Hyundais and several U.S. models.

continued on page N18

'Spirited Vehicles' (vehicles with highest percentage of violations)

Make	Model	Body Style	Violations*	Average Age	% Male
Mercedes-Benz	SL-Class	Convertible	404%	53	41%
Toyota	Camry-Solara	Coupe	349%	50	39%
Scion	TC	Coupe	343%	30	39%
Hummer	H2/H3	SUV	292%	46	73%
Scion	XB	Hatchback	270%	37	40%
Mercedes-Benz	CLS-63 AMG	Sedan	264%	46	58%
Acura	Integra	Coupe	185%	33	60%
Pontiac	Grand Prix	Sedan	182%	40	41%
Mercedes-Benz	CLK 63 AMG	Sedan	179%	47	44%
Volkswagen	GTI	Hatchback	178%	40	44%

Violations/100,000 miles driven, expressed as percentage of average. Source: www.qualityplanning.com.

'Cautious Vehicles' (vehicles with lowest percentage of violations)

Make	Model	Body Style	Violations*	Average Age	% Male
Buick	Rainier	SUV	23%	61	71%
Mazda	Tribute	SUV	26%	36	29%
Chevrolet	C/K- 3500/2500	Pickup	26%	40	86%
Kia	Spectra	Sedan	27%	40	44%
Buick	Lacrosse	SUV	32%	65	50%
Saturn	Aura Hybrid	Sedan	37%	59	14%
Oldsmobile	Silhouette	Minivan	37%	41	50%
Chevrolet	Uplander	Minivan	38%	40	54%
Hyundai	Tucson	SUV	38%	47	40%
Pontiac	Vibe	SUV	39%	41	32%

Violations/100,000 miles driven, expressed as percentage of average. Source: www.qualityplanning.com.



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Fact or Fiction, continued from page N16

Drivers of the Mercedes-Benz SL-Class roadster topped the list of top violators, with four times the number of violations compared with the average. The Scion, which Toyota designed expressly for Gen Y-ers, had not one but two entries in the top 10. The big Hummers and the Pontiac Grand Prix rounded out this category.

SUVs and hatchbacks showed lower violations on average than traditional two- and four-door vehicles.

Among those vehicles that QPC classified as “cautious vehicles,” eight of the top 10 were either an SUV or minivan, suggesting that carrying passengers, and possibly younger passengers in car seats, makes a noticeable difference in how people drive. Sixty percent of SUV drivers in this category were women, whereas for minivans, 51 percent of these drivers were women.

Violations/100,000 miles driven, expressed as percentage of average.

Best Jobs

The job search site, CareerCast, ranked actuary as the No. 1 best job out of 200. The ranking was based on a formula that weighed physical demands, work environment, income, stress and hiring outlook. Actuaries beat out software engineers, biologists, historians and meteorologists. A job as an actuary ranked very high in work environment and low in physical demands and stress. The salary range of \$49,000 to start up to \$161,000 for top earners also boosted its ranking. Other insurance jobs also made the list as. Insurance underwriter came in at number 39 and insurance agent at 103.

Ungainfully Employed

Employment on the carrier side property/casualty industry saw some of its biggest declines in a generation this year. From the beginning of the recession in 2007 to October 2010, the direct P/C industry saw employment shrink by 29,600, according to an analysis by the Insurance Information Institute. The 461,500 employed by P/C insurers were the smallest amount in 20 years. Employment in agencies and brokerages — which stood at 631,400 in October — has seen employment shrink by 7.1 percent, or 48,200 jobs since the beginning of the recession in December 2007.

Declines in agency employment mirrored the rest of the economy — which saw employment fall by 7.2 percent — over the last three years.

Heavy Equipment Theft

In 2009, there were 13,452 heavy equipment thefts reported to the National Crime Information Center. In descending order, the five states with the most incidents of heavy-equipment theft were Texas, Florida, North Carolina, Georgia, and South Carolina. Together, those five states accounted for 43 percent of total equipment theft. Rounding out the top 10 were Tennessee, California, Oklahoma, Missouri, and Ohio. The top 10 states accounted for 62 percent of all thefts.

U.S. Insurance History

In 1752, Benjamin Franklin and his fellow firefighters founded The Philadelphia Contributionship for the Insurance of Houses from Loss by Fire, the nation's oldest property insurance company. The company formed as a mutual insurance company in which policyholders came together to share the risks. It was modeled after the Amicable Contributionship of London. The company refused to write houses that its members thought were fire hazards and its underwriting standards became the basis for building codes.

4 Important Events

What are the four most important events in the history of state insurance regulation? The first is the 1869 case of *Paul v. Virginia* in which the U.S. Supreme Court held that insurance was not interstate commerce and not subject to regulation by the federal government under the commerce clause of the Constitution. The second was the reversal of the *Paul v. Virginia* decision, the South-Eastern Underwriters case, which led to the third important event in 1945 when Congress passed the McCarran-Ferguson Act assuring

insurers a limited exemption from antitrust laws to the extent insurance is regulated by states. The fourth is also an act of Congress: the 1999 Gramm Leach-Bliley Act.

Dog Bite Claims

Dog bite claims cost the insurance industry \$412 million in 2009, an increase of 6.4 percent from 2008. Dog bites account for more than one-third of all homeowners insurance liability claims paid out in 2009, according to the Insurance Information Institute. The average cost of dog bite claims was \$24,840 in 2009, up slightly from \$24,461 in 2008. Over the six-year period since 2003, the cost of these claims has risen nearly 30 percent.

Iran Goes on the Black List

While Wikileaks reported that U.S. diplomats were urging re/insurers not to write business with Iran, it wasn't news to *Insurance Journal* readers. Germany's Allianz and Munich Re announced that they would “wind down” business in Iran in February. In July Lloyd's confirmed that it would “honor the sanctions” and would not insure or reinsure oil shipments in or out of the country.

World Cup Insurance

It started out with 32 teams, took a month to play all the games, and in the end Spain won. Overall insurance coverage for the event totaled \$8.95 billion. The quadrennial football (soccer) World Cup, held in South Africa this year, is second only to the Olympic Games in the number of people who attend or watch the events. The games were insured by a number of companies, including Munich Re, Swiss Re, Hannover Re, Allianz, and Lloyd's. The coverage figures were roughly: property - \$4.33 billion; contingency - \$4.33 billion; liability - \$288.6 million.

Europe Dominates Reinsurance Market

European companies wrote 55 percent of gross premiums written in the global market



for non-life (P/C) reinsurance in 2009, according to A.M. Best Co. The global non-life market share breaks down as follows: Munich Re, 16 percent; Swiss Re, 13 percent; Lloyd's of London, 10 percent; Berkshire Hathaway (the only U.S. company in the top five), 7 percent; Hannover Re, 6 percent; SCOR, 4 percent; Transatlantic Holdings, 3 percent; Everest Re, 3 percent; Korean Re, 3 percent; PartnerRe, 3 percent; all others 31 percent.

Guaranty Funds

The guaranty fund system, which operates in all 50 states, assures policyholders they will be paid in the event that their carrier cannot pay a legitimate claim. It has been in operation since 1968, according to the National Conference of Insurance Guaranty Funds. In that time there have been about 550 insolvencies of property/casualty insurers, and the fund has paid out about \$24 billion. The fund usually pays policy limits or \$300,000, whichever is less, and in most states, 100 percent of workers' comp claims.

Hurricanes 2010

The National Oceanic and Atmospheric Administration reported that a total of 19 named storms formed in the Atlantic Basin between June 1, 2010, and Nov. 30, 2010, tying 2010 with 1887 and 1995 for the third highest record. With 12 of the 19 becoming hurricanes, 2010 tied with 1969 for the second highest number of hurricanes on record. Five of the 12 hurricanes became major — Category 3 or higher — Danielle, Earl, Igor, Julia and Karl. Of those major hurricanes, only Earl affected the U.S. mainland, side-swiping the East Coast in September.

Catastrophe Losses

While losses from hurricanes were negligible in the United States during 2010, insured losses from other insured catastrophes, such as tornadoes, thunderstorms, windstorms and winter storms added up. ISO's Property Claim Services (PCS) unit estimates that insured catastrophe losses in the first half of 2010 were \$7.9 billion, up \$0.2 billion compared with the same period in 2009 and \$2.0 billion more than the average for first-half losses over the past 10 years, according to the I.I.I. ISO reported that a total of \$10.6 billion

in property losses related to catastrophes were paid by insurers of 2009, less than half of the \$27 billion paid in 2008. There were 28 catastrophes in 2009, down from 37 in 2008.

Flood Insurance

There were 5,613,040 federal flood insurance policies in force as of Sept. 30, 2010, representing more than \$3.3 billion in premium, according to the National Flood Insurance Program. The state with the most policies in force is Florida, with 2,119,132 policies. After Florida, the top five states in terms of flood policies in place are: Texas (676,931); Louisiana (485,471); California (274,603); New Jersey (229,890); and South Carolina (202,371).

Wildfires

As of Nov. 26, 2010, 66,013 fires had burned 3.31 million acres across the United States this year, which is the lowest year-to-date acreage burned in the last decade, according to the National Interagency Fire Center. While major wildfires are mostly associated with California, Texas had experienced twice as many wildfires as California by August 2010, the I.I.I. noted. Colorado experienced the most expensive wildfire in the state's history in September — the Fourmile Canyon fire, according to the Rocky Mountain Insurance Information Association. As of late September insured losses from that fire were estimated at \$217 million, around four times higher than 2002's Hayman Fire which result-

ed in \$46.1 in insured damage when adjusted for inflation in today's dollars.

Texting Bans

While many states have banned texting while driving, a study released in September by the Highway Loss Data Institute (HLDI) found that such bans don't necessarily reduce crashes. In fact, the bans are associated with a slight increase in the frequency of insurance claims filed under collision coverage for damage to vehicles in crashes. The finding is based on comparisons of claims in four states before and after texting ban, compared with patterns of claims in nearby states, the HLDI said. The states compared were: California (January 2009); Louisiana (July 2008); Minnesota (August 2008); and Washington (January 2008).

The 20% Rule is Unhealthy

Political controversy aside, federal health care reform is expected to take a big chunk out of agents' and brokers' wallets in 2011, as new rules kick in that limit insurers administrative expenses — which includes agents' commissions — to no more than 20 percent of their spending. Agents' trade groups have vowed to take the fight over the rule to Congress and the National Association of Insurance Commissioners has formed a special task force to monitor how the new federal rules will affect health insurance agents and brokers. ■

MyNewMarkets.com Top 10 in 2010

In 2010, the top 10 searches on MyNewMarkets.com reflect some of the most common insurance risks like workers' compensation, trucking, and professional liability. Even with more competition from standard markets, excess and surplus brokers are still able to help out agents with the tougher risks in these classes. Find out more by searching MyNewMarkets.com today.

1. Workers' compensation
2. Insurance agents and brokers errors and omissions
3. Homeowners
4. Trucking
5. Commercial auto
6. Schools (public/private)
7. Professional liability
8. Apartments
9. Restaurants
10. Used car dealers ■



Survey Issue

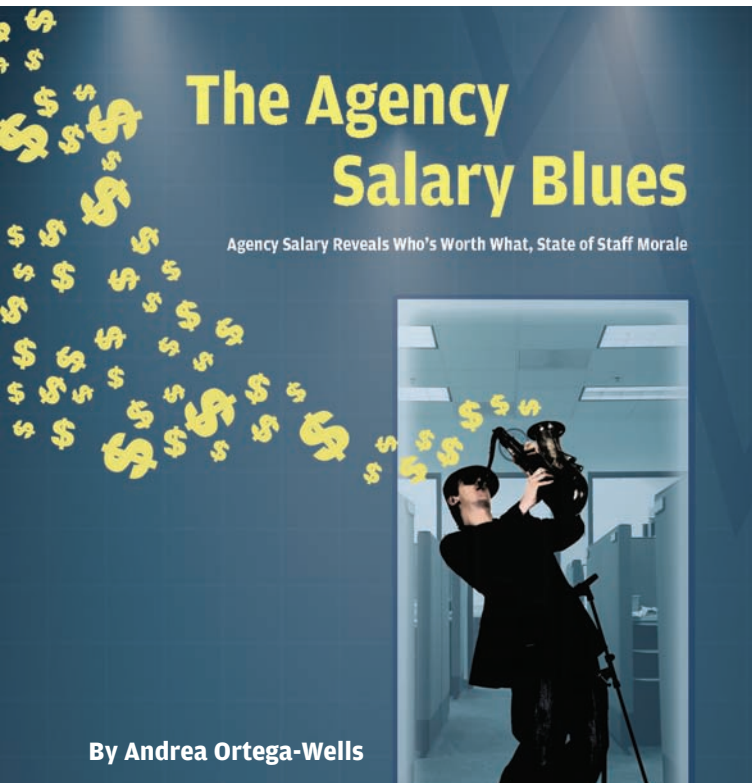
3-in-1

What are the industry's young agents thinking? What are typical salaries and benefits in agencies? What issues do agencies have with their errors and omissions (E&O) coverage and carriers?

The answers to these and dozens of related questions can be found in the following pages as Insurance Journal brings together in one issue three of its most popular annual surveys:

2010 Agency Salary Survey
2010 Young Agents Survey
2010 Agency E&O Survey

Special thanks to Columbus, Ohio-based actuarial services firm Demotech Inc., Insurance Journal's official research partner for survey analysis and input.



The Agency Salary Blues

Agency Salary Reveals Who's Worth What, State of Staff Morale

By Andrea Ortega-Wells

Average Salary Adjustment in 2009

Management	-1.2%
Sales Staff	-0.8%
Support Staff	0.1%

Independent agency salaries maintained or decreased slightly in 2009, but employee morale may be registering at an all time low. And agents don't expect things to change, at least not anytime soon.

Half of all agencies responding to *Insurance Journal's* Agency Salary Survey say that salaries stayed about the same in 2009 compared to 2008, while another 34 percent said salaries were lower in 2009 than in 2008. Just 16 percent reported salaries in 2009 were higher than 2008.

Stagnant and declining agency salaries have many agency employees singing the blues, says Al Diamond, president of the Cherry Hill, N.J.-based Agency Consulting Group. Employee attitude is bad and employee morale has never been worse, he says.

"The attitude (of the agency employee) is very bad," Diamond said. "For the most part, the general insurance agency morale has never been lower."

Agencies also said they will not hire this year. According to the *IJ* survey, nearly 50 percent said they postponed hiring in 2009, with 43 percent planning again to postpone hiring in 2010. The good news is that more than half (55 percent) reported that staff sizes remained the same in 2009 and most agencies expect that trend to continue throughout 2010.

Agency consultant Chris Burand, owner of Pueblo, Colo.-based Burand & Associates LLC, also sees most agencies maintaining staffing levels, but notes that some might have to make further cuts.

"Some agencies are always looking for quality producers," he said. But fewer agencies are looking to add producers "not because they don't want to but because they simply can't afford it," Burand says. However, when agencies do have the funds to hire, they will hire more producers. "Other than that, though, I don't have anybody that's really looking to add staff."

According to Madelyn Flannagan, vice president of education and research for the Independent Insurance Agents and Brokers of America, agency owners are still looking for ways to cut expenses as they have been doing for the past few years.

"Last year and even still this year, a lot of agencies were laying folks off, continued on page N22

Average Salaries by Agency Premium Volume (Management)

P/C Premium Volume	President/CEO	Office Manager	Sales Manager	Accounting Manager	Personal Lines Mgr.	Commercial Lines Mgr.	Marketing Manager	Avg. Comm. and Fee Income
Under \$1 million	\$77,939	\$38,611	\$61,477	\$50,588	\$35,238	\$41,590	\$58,750	\$414,642
\$1 million - \$5 million	\$105,156	\$48,115	\$60,148	\$37,115	\$39,591	\$45,168	\$46,481	\$459,729
\$5 million - \$10 million	\$168,034	\$61,417	\$76,228	\$47,305	\$56,104	\$57,808	\$58,362	\$1,698,130
\$10 million - \$25 million	\$307,083	\$77,996	\$104,964	\$58,165	\$59,486	\$71,149	\$64,508	\$3,581,545
\$25 million - \$50 million	\$427,385	\$101,044	\$143,154	\$80,821	\$71,330	\$90,338	\$82,700	\$4,653,348
\$50 million - \$100 million	\$516,822	\$102,291	\$160,000	\$99,875	\$81,785	\$94,391	\$87,586	\$10,350,986
\$100 million or more	\$670,192	\$127,755	\$175,675	\$111,979	\$102,375	\$133,693	\$117,937	\$27,850,000

Average Salaries by Agency Premium Volume (Support Staff)

P/C Premium Volume	Personal Lines CSR Salary - High	Personal Lines CSR Salary - Low	Personal Lines Years of Experience	Commercial Lines CSR High	Commercial Lines CSR Low	Commercial Lines Years of Experience
Under \$1 million	\$31,477	\$22,366	6.6	\$40,126	\$34,000	7.6
\$1 million - \$5 million	\$37,107	\$26,905	8.7	\$39,529	\$32,617	9.8
\$5 million - \$10 million	\$43,443	\$30,040	9.8	\$49,351	\$37,031	11.4
\$10 million - \$25 million	\$45,887	\$32,462	9.5	\$55,009	\$41,412	11.3
\$25 million - \$50 million	\$47,711	\$33,849	10.9	\$61,199	\$42,345	11.1
\$50 million - \$100 million	\$49,639	\$31,569	8.3	\$65,279	\$40,407	10.7
\$100 million or more	\$50,615	\$31,191	9.0	\$66,182	\$42,152	12.0

Agency Salary Blues, continued from page N21

looking for ways to cut expenses,” Flannagan says. She said she hasn’t heard many Big “T” members begin to hire yet, but agrees that the one area where agencies might hire is in sales, either to replace producers lost to other industries, or to replace retiring producers.

The *IJ* Agency Salary Survey generated 1,326 responses from independent insurance agencies nationwide, providing insight into who’s worth what in the independent agency system. Demotech Inc., *IJ*’s official research partner, provided analysis and input again on this year’s survey results.

Compensation Changes

One thing all agencies seem to be eyeing is how they structure compensation plans

today. As the industry continues to battle the effects of the continued soft market and down economy, 88 percent of agencies reported in the survey that the economic recession has affected their business. For many, this meant a hard look at how to further reduce costs, including compensation.

“I think agencies are looking to cut expenses even more in 2010 than they were this time in 2009,” Burand says. Agencies have had to look at restructuring their compensation, across the board. “All the way from what the partners make, down to what the receptionist makes,” he said.

At the producer level, Burand says agency owners simply are looking to reduce the commission percentage paid to produc-

ers. Some agencies have resorted to paying producers only on larger accounts. Others have put growth requirements into action in order for the producers to receive a full commission on their whole book.

Agencies are “recognizing that they’ve got to find a way to get the producers out the door and add new accounts on the commercial side.” He believes the decrease in rates is “just so significant that, in some parts of the country, it doesn’t matter how good a job you do, you’ll go broke if you don’t add a lot of accounts.”

Burand says most agencies have a difficult time asking staff to take a reduction in pay, but he has seen many reduce bonuses. “They’re reducing raises. They are asking their staff to maybe do more. And if all that fails, then they’re laying people off and just asking the remaining staff to pick up the slack.”

Burand says agency owners have taken huge hits in pay as well. “The owners are generally just taking smaller bonuses, if any bonuses at all,” Burand says. “Now, they’re maybe only being paid for their books of business — more so than any time in the past 10 years.”

According to the *IJ* Agency Salary Survey, overall average salary adjustments in 2009 were down for management (-1.2 percent) and sales staff (-0.8 percent). Support staff showed a very slight salary raise at just 0.1 percent. Some 59 percent of agencies postponed raises in 2009, according to the survey, and 46 percent said they will postpone raises again in 2010.

There is some hope. Agencies that have been thinking outside the box on compensation kept up employee morale last year, Diamond says. In agencies where compensation is tied directly to productivity for every employee, morale and profits are higher, he said. “So the employees themselves start pumping up the volume, trying to increase their productivity because they know if they increase their productivity in those agencies, they can actually give themselves a raise.”

But for the vast majority of agencies, employee morale is suffering because agencies and their support staff continue to do more with less.

“Agencies may have 10 people instead of

	East	Midwest	South Central	Southeast	West
Average Agency Income	\$4,955,051	\$4,449,882	\$3,049,510	\$2,936,376	\$3,716,144
President/CEO - Salary	\$258,300	\$213,297	\$195,167	\$233,776	\$222,933
Office Manager - Salary	\$73,556	\$73,638	\$59,247	\$64,820	\$72,889
Sales Manager - Salary	\$119,441	\$104,526	\$79,231	\$77,091	\$110,804
Accounting Manager - Salary	\$75,841	\$67,742	\$58,850	\$55,772	\$67,069
Personal Lines Manager - Salary	\$62,333	\$57,430	\$46,207	\$62,037	\$56,530
Commercial Lines Manager - Salary	\$80,973	\$72,500	\$57,950	\$61,201	\$76,282
Marketing Manager - Salary	\$86,364	\$85,625	\$63,000	\$70,577	\$78,491
Average Years Experience - Personal Lines	10.0	9.2	8.8	8.0	8.4
Average Years Experience - Commercial Lines	11.3	10.8	10.0	10.1	9.9
Average Agency Raise - Management	-0.4%	-0.3%	-0.9%	-2.3%	-2.3%
Average Agency Raise - Sales	0.1%	-0.9%	0.0%	-1.5%	-2.0%
Average Agency Raise - Support	0.6%	0.4%	0.9%	-0.5%	-0.4%
Average Agency Size - Employees	44.6	39.7	26.1	24.9	35.3
% Affected by Recession	88.0%	85.8%	80.1%	89.9%	92.1%

Total Income	President/CEO	Office Manager	Sales Manager	Accounting Manager	Personal Lines Mgr.	Commercial Lines Mgr.	Marketing Manager
Under \$100,000	\$52,231	\$35,729	\$56,731	\$38,611	\$33,438	\$47,500	\$80,000
\$100,000 - \$250,000	\$81,752	\$36,875	\$53,468	\$40,870	\$31,793	\$39,048	\$42,708
\$250,000 - \$500,000	\$135,965	\$52,910	\$59,511	\$39,085	\$41,139	\$46,953	\$54,167
\$500,000 - \$1 million	\$152,392	\$55,734	\$76,900	\$48,259	\$53,920	\$51,567	\$56,250
\$1 million - \$5 million	\$272,864	\$78,987	\$95,766	\$57,932	\$57,402	\$71,362	\$67,606
\$5 million - \$10 million	\$503,051	\$96,852	\$154,207	\$86,230	\$69,804	\$86,827	\$80,640
\$10 million - \$15 million	\$511,538	\$111,591	\$183,088	\$102,875	\$101,316	\$104,091	\$109,667
\$15 million - \$20 million	\$428,571	\$91,591	\$119,773	\$96,923	\$82,273	\$106,429	\$83,182
\$20 million - \$25 million	\$317,188	\$101,250	\$126,000	\$110,000	\$69,286	\$85,500	\$118,500
More than \$25 million	\$981,481	\$148,462	\$221,711	\$136,250	\$129,286	\$163,804	\$125,978

Region	Personal Lines CSR High	Personal Lines CSR Low	Commercial Lines CSR High	Commercial Lines CSR Low
East	\$43,975	\$30,558	\$53,394	\$40,985
Midwest	\$38,801	\$27,020	\$44,579	\$31,369
South Central	\$38,929	\$27,189	\$47,359	\$35,316
Southeast	\$39,158	\$27,613	\$46,843	\$31,483
West	\$42,734	\$31,184	\$52,845	\$43,329

How to Keep Employees Happy

ll, but they're expected to do more work," Diamond says.

Burand adds that many agency employees today may not understand the severity of the situation and why agency owners are making such cuts, further adding to bad morale.

"Sometimes employees have their own stresses that keep them from understanding. In some cases, the agency owner just hasn't explained it adequately, and in other cases they feel that they are doing more than their share of work," Burand says.

"Agency personnel are being asked to do more work both by the carrier and by their agency owners," Flannagan added.

More work for less money or the same money has upset some agency employees but has not driven them all away. Burand says that so far he hasn't seen agency employees look elsewhere for work.

However, the reaction of producers has been different. Burand says he has seen many producers searching for new agencies. "I've never seen so many producers jumping ship in my life," he says.

Diamond says he sees a lot of producers on the market as well, but sees less transition of high quality people. "Everybody appears to be holding on, feeling that what they've got now is as good as they're going to have until the market turns," Diamond says. ■

One way that agency owners can keep their employees happy in today's tough times is by making their compensation more accountable to agency growth. Al Diamond, president of the Agency Consulting Group, says in agencies where owners have decided to tie employee workload and responsibility directly to compensation, morale tends to be higher and so is productivity.

Of the agencies Diamond counsels on an incentive compensation programs like this, the agency's average growth was in the double digits last year, and average profitability is around 14 percent.

"These are agencies who have tied compensation for every person in the agency, from the owner down to the receptionist, into that part of the workload for which they have responsibility," he says. Tying compensation to workload works in small agencies too.

For producers, incentives are easy — just grow the book of business. But Diamond advises agencies to develop incentive-based programs for every position in the agency. Such incentives give the employee more control over their own destiny, he says, and that is what they're counting on.

Madelyn Flannagan, vice president at the Independent Insurance Agents and Brokers of America, advises agencies to always look at service staff as a way to help with sales.

"But don't expect them to do it for nothing," she said. "Understand that they might bring very profitable business to your agency, and everybody that's bringing in business should be compensated in some way."

Flannagan also advises agency owners to examine new ways to incent producers, such as ownership of the book of business at an earlier time. "A lot of agencies spread ownership over a long period of time before the agent would own their book of business."

Also, talk about perpetuation with younger producers. "Make them feel like

they're going to be a part of the future of that agency," she says. "Those are the things that I think will keep people on, keep them happy and keep them producing."

In today's climate, agencies can't afford to pay producers for not doing anything, says Chris Burand, owner of Burand & Associates LLC. This is one of the most critical areas agencies can generate savings without damaging future growth and profitability.

"It may upset the producers, but it's a real key issue, and it's one of the reasons some the agencies are having such a hard time," Burand says. "For years and years and years, they've been paying producers on accounts for which the producers did zero amount of work." And that's a lot of money.

"When agencies pay producers for work on accounts on which the producers do absolutely no work and haven't done any work in years, they're also creating an environment in which the producers make enough money that they aren't incentivized adequately to go out and write new accounts," Burand says.

In this market, the only way to grow an agency is to write new business.

"You can't count on exposure growth," Burand says. "You can't count on rate growth. You can't count on anything but getting out there and selling new accounts. If an agency can make that adjustment, it's going to be in much better shape, and it'll do well when the market finally changes as well."

Diamond advises an agency review of each position in the agency. "Figure out how they respond to the customer. What is their measure of productivity? Include them into the concept, and identify the productivity factors, the increase of which can compensate them as well as the agency," he says.

"If we subscribe to that we can increase our productivity by a factor of 20 percent to 40 percent within every agency in the United States, making plenty of money for the owners, but leaving enough to continue to grow the compensation of our employees," Diamond adds. But every person in the agency has to participate. "It can't be the owner's decision. It has to be a combined effort, a team effort, of the owners and their employees to increase productivity of the agency." ■

Strategies Agencies Implemented in 2009

Cut Benefits	15%
Shift Health Plan Costs to Employees	21%
Increased Benefits	2%
Reduced Employees	20%
Postponed Hiring	49%
Postponed Raises	59%
Increased Hiring	7%
Increased Compensation	7%

Strategies Agencies Plan to Implement in 2010

Cut Benefits	10%
Increased Benefits	3%
Reduced Employees	10%
Postponed Hiring	43%
Postponed Raises	46%
Increased Hiring	21%
Increased Compensation	16%

Young Agents

Why Young Agents Stand by Their Career Choice

By **Andrea Ortega-Wells**

Most enter the insurance business by accident but for young independent insurance agents, the decision to stick with insurance as a permanent career is a matter of choice.

A healthy 84 percent of young insurance agents say they consider insurance to be their permanent career, according to *Insurance Journal's* 2010 Young Agents Survey.

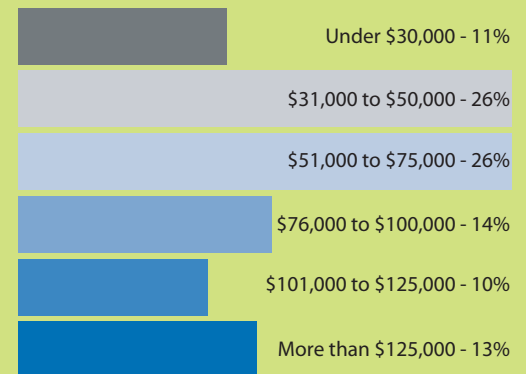
The reasons young agents — those 40

years old and younger — enter insurance vary significantly.

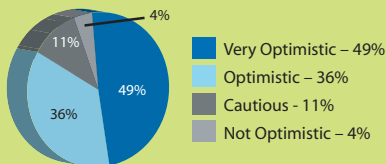
Of the 631 young agents who responded to this year's survey, some came to work in the independent agency ranks after testing the waters with a captive agency. Others found their way because their families worked in insurance. Others became agents after taking educational courses or majoring in risk management. Still others came to the industry after leaving careers in another industry — ranging from arena football to financial services to hospitality.

Some became agents because they were customers in the right place at the right time. "Someone approached me from the agency while I was in making a payment for the local fire company that I was treasurer for," one young agent wrote.

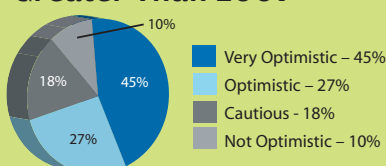
What Young Agents Earn



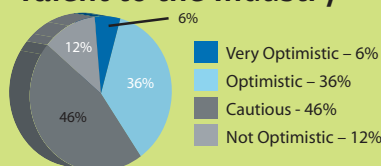
Young Agents' Outlook on Their Career



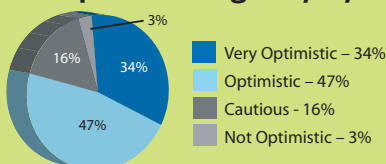
Believes 2010 Income Will Be Greater Than 2009



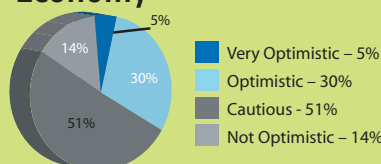
Outlook on Attracting Quality Talent to the Industry



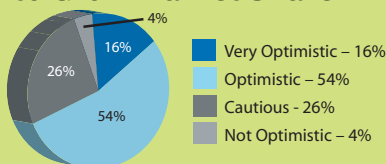
Outlook on the Future of the Independent Agency System



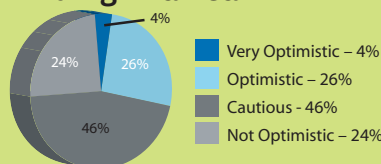
Outlook on Current U.S. Economy



Independent Agents Ability to Grow Market Share



Outlook on Soft Market Ending in a Year



Opportunities

Why or how young professionals got into the insurance agency business is not necessarily what keeps them in it. Most in the industry agree that the desirability of an agency career is not well known to those outside the industry.

But their brief tenure in the industry has opened young agents' eyes to the advantages they might not have appreciated when they first walked through their agency's door.

Their overall experience has been so positive that 70 percent would recommend a career as an independent insurance agent to another young person. But today's young agents also realize — or 43 percent do — that other young people may be where they were several years ago and not recognize insurance as a career of choice.

Now, these young professionals say they have been convinced to stay in the business by, among other factors, the professionalism of their peers and the way the industry treats its employees. Young agents are encouraged by how the industry treats its employees, with 60 percent rating the treatment as good. Also, 61 percent say the level of professionalism in the property/casualty industry is also good, affirming their career choice.

continued on page N26

Survey:



Profile of Young Agents

Older Side of Young

59% are 31 to 40 years old;
41% are 30 and under.

Career Choice

84% consider insurance to be a permanent career choice;
13% are unsure.

Experience

24% have less than three years in insurance; 26% have three to five years; 30% have six to 10 years; 20% have 11 or more years.

Education

62% have a college degree; 58% have completed or are working on an insurance designation.

Family Affairs

57% work in family-owned agencies.

Employment Status

12% presently are the sole owner of an agency; 13% share ownership with partner(s).

Ownership Dreams

75% do not presently own an agency; of these, 57% would like to own someday.

Working class

62% work between 41 and 55 hours a week.

Gender ID

Male 69%; Female 31%

Recruitment Target

51% have been offered a job by another agency.

Young Agents, continued from page N24

"I don't think insurance is a career choice that most people would say, 'this is what I want to do,'" says Elizabeth Byrd, a 27-year-old account executive for large independent broker Lockton Cos. LLC in Kansas City, Mo. "The people that I meet with risk management degrees, I question them on how did they know what they wanted to do. Now looking back I see why a lot of people are drawn to insurance."

Young agents also appreciate the flexibility the job allows.

"I like the freedom that we have to come and go as we please. I like the fact that the harder you work and the more people you build relationships with, the more money you can make," one agent wrote in the survey.

Another young agent said in the survey that he enjoys the flexibility of schedule and the freedom to sell his own way.

Young agents have also been convinced to stick to their insurance careers because they love the regular challenges they encounter trying to meet clients' needs and they believe that the industry offers opportunities for advancement, according to *Insurance Journal's* survey and interviews.

Young insurance agents point to the opportunities for advancement as a main reason for making a long-term commitment to the business. Even in the midst of an economic recession, a majority (52 percent) rate their opportunities for advancement as good.

"It is an underrated job; there is endless opportunity for advancement and you can make a very good living," one agent wrote in the survey. "It is not what I dreamed of doing as a child but it isn't as bad as people make it out to be. There are good people doing good things."

Rapid Advancement

When Lockton's Byrd entered insurance, she didn't know anything about the industry. She majored in finance but had no interest in the standard banking and investment fields. She found out about Lockton's training program and soon learned how she could use her finance knowledge in insurance.

Lockton's year-long training program — the Associate Account Manager Program — taught Byrd the fundamentals of insurance.

Then, advancement came quickly. Within six months she was handling her own book of small business accounts. By the end of the year, Lockton interviewed her for a more permanent position in the health care practice.

The health care industry seemed like a natural fit for Byrd. Her father is an Army hospital commander and her sister is a nurse. Now, she works on property/casualty insurance for all types of health care organizations — hospitals, medical centers, physician groups, nursing centers and more. Client diversity keeps her motivated and drives her commitment to the industry, she says.

In addition to the advancement she has experienced, Byrd loves the challenge of identifying clients' changing needs and finding solutions. Right now, she is focusing on privacy and security; four years ago these coverages were rarely discussed. "There's no set prescription. I don't go in and plug in the numbers; it's completely different and it can change every single day."

Byrd thinks her personality is well-suited for her work as a broker. "You have to have the ability to take charge," she says. "You are responsible for your clients, making sure their needs are met. You have to be somebody that likes to be in control, to be that point person, be that leader in pulling everything together before getting in front of clients."

Since she likes the challenge, and the responsibility, she's certain an insurance career is for her.

"I definitely see myself in insurance" for the long haul, Byrd says. "What's so great about the insurance industry is that I don't have a typical day."

Ownership Dreams

While advancing her career working for the nation's largest independent brokerage firm appeals to Byrd, for others the opportunities for advancement in insurance involve going right to the top, or even starting out at the top.

Of those responding to the survey, 12 percent reported they are currently the



sole owner of their independent insurance agency, while another 13 percent say they share ownership with one partner or several. Of those who are not yet owners, 57 percent say they aspire to be an agency or brokerage owner someday.

"Having worked for a large corporation, I really enjoy the flexibility that the career allows for," one agent wrote. "I also like that I am working towards something that I will eventually have the opportunity to own."

Donna Chiapperino, 39, director of marketing for Montvale, N.J.-based Jimcor Agencies, an excess and surplus lines wholesale agency, senses a youth movement in the industry.

"I'm seeing more, younger agency principals, more [young professionals] in producer roles or owning start-ups. These are people who are 35 and younger. They are going out there and trying it," Chiapperino says.

Chiapperino, who is active with the National Association of Professional Insurance Agents' young agents group, says she has even seen young owners stay in the industry after their own start-up venture fizzles.

One start-up that has worked is Bryan Insurance Agency based in New Windsor, N.Y. Owner Amy Bryan founded the agency from scratch when she was only 22 years old. Now at the age of 28, Bryan employs two full-time service staff and two full-time producers and operates two locations.

Bryan grew up in the insurance business, but on the captive agency side of the distribution system. Her grandfather started a State Farm agency, and her dad, uncle and aunt also work as State Farm agents. But Bryan's father suggested she become an inde-

pendent agent. "He thought I'd be able to offer clients a lot," she said. "It is creative and I have the ability to find the best fit."

In 2004, after a short stint in the graphic design industry, Bryan opened her doors with no customers and no insurance companies. She developed a business plan that addressed how to market and where her competition was. "I was able to show that to the companies so they knew where I was going and what the objectives are," Bryan says.

Bryan believes the insurance industry offers opportunities not just for her but for just about everyone. "A lot of people think that it is more sales-oriented but you can be an extrovert or introvert," she says. "If you like helping people, I think it's definitely a good industry."

Technology and Relationships

Young agents, like their older peers, have learned that success in insurance revolves around building relationships. Some 93 percent in *Insurance Journal's* Young Agents Survey reported that success in the insurance business is mostly about building relationships.

That was one of the first career tests for Bryan.

"Stuff didn't move fast enough for me," Bryan says. "It's a marathon; it's not a sprint. It's more about building the relationships and building your business. I've seen it with other producers that work for me. For me it was never fast enough and I think I've learned to be patient."

But agents who put in the time it takes to build relationships, soon discover the rewards — another reason they are likely to stick around.

"Being an independent agent allows myself and my clients to have a good relationship The potential to grow (currently an account executive) seems endless. The harder you work in the industry, the more you grow and achieve goals. I feel hard work is not always paid off but as an independent agent, it is," one agent wrote in the survey.

Many young agents go about relationship building using new technology. According to the survey, 71 percent of young agents use Facebook, 59 percent use LinkedIn, and 71 percent use an iPhone or other Smart phone device. Of those, 53 percent say they use online social networking tools for their business.

As Jimcor's Chiapperino notes, relationships do not have to be face-to-face for this generation. "They build up these tech relationships via Facebook, e-mail, texting," she says. "That's how they get to know people. To the younger generation, there's nothing wrong with that."

Young agents continue to build relationships via traditional methods, too. The survey found: 56 percent volunteer in their communities; 50 percent attend local business or community meetings; 47 percent attend insurance trade association meetings; 40 percent attend church regularly; 36 percent attend meetings of industries they insure; 31 percent belong to country or athletic clubs; and 16 percent get involved in local politics.

Credibility

The rewards an insurance agency career offers do not come without hard work. While they welcome the challenges of meeting clients' needs and building relationships, young agents believe their age can be one of their biggest obstacles. Some 72 percent say as a young agent they must work harder to gain the confidence of their clients, bosses and carriers.

"Credibility comes into play," says Lockton's Byrd. "I always felt the most important thing for me to do was credential myself."

But young agents are overcoming age bias. The best strategy appears to be education. Some 58 percent in the survey have completed or are working on an insurance designation program.

Byrd has already earned four insurance industry designations, including the Chartered Professional Casualty Underwriters (CPCU) designation and the Associate in Risk Management (ARM) designation, and is completing work on her master's in business administration. Educational designations do not ensure credibility, but the added knowledge helps, she says.

Bryan is also a believer that education enhances credibility. She is currently working on her Certified Insurance Counselor (CIC) designation. "I think those programs are awesome," she says. "I think it's important for everybody to keep learning." She sends all of her staff to courses.

Young agents have their own age bias issues. According to the survey, 68 percent of young agents said they believe that older agents tend to be less willing to take risks or try new approaches.

Young agents also tend to see their age as a benefit.

"I think it can be viewed as a benefit because young people have a tendency to question more than someone who has been in the industry for 20 years," Byrd says. A younger agent might examine a problem for the first time and come up with a new way to solve it, she says.

"The older generation of agents has to have patience and listen and understand" younger agents, Bryan says. ■



How an E&O Claim Could Affect Agency Employee's Career

Survey Finds Agencies Take a Second Look at Hiring Employees With Past E&O Histories

By Andrea Ortega-Wells

Today's soft insurance market, reduced commissions and a tough economy for agency owners and their clients might be adding to agency errors and omissions (E&O) exposures. But agency owners are not the only ones in an agency who should be concerned over E&O exposures. Employees involved with past E&O inci-

Agency Revenue Change in 2009 Compared to 2008

	1-5%	6-10%	11-15%	16-20%	More than 20%
Increased	55.9%	22.5%	7.9%	4.8%	9.0%
Decreased	49.7%	29.4%	8.8%	6.4%	5.7%

dents might be placing their future careers in jeopardy, according to an exclusive survey from *Insurance Journal*.

Some 14.4 percent of those responding to *Insurance Journal's* 2010 Agency E&O Survey revealed that their agency would refuse to hire an otherwise qualified employee, if that employee had been responsible for an E&O claim in the past. Another 64.2 percent said they would "perhaps" refuse to hire the employee responsible for a claim.

Of course, most agencies typically will hire or not hire based on the employee's skill set and experience rather than on their previous history with agency E&O claims alone. But hiring decisions may depend on whether the employee did anything wrong or has learned from the claims experience.

"It is very difficult to separate people with an E&O history into those whose practices cause E&O exposure and those who made an unfortunate error that turned into a claim," said Al Diamond, president of Agency Consulting Group Inc.

"Agencies are much more likely to hire people for their experience than not hire them because an E&O claim occurred."

According to Curtis Pearsall, president of Pearsall Associates Inc. and a special consultant to the Utica National Agents E&O program, employers should carefully evaluate the circumstances of the past E&O claim. "You don't have to do anything wrong to be sued," he said.

"Sometimes, unfortunately, customers may not take total responsibility and accountability for their buying decision, and if they have a claim that is not covered then they go and sue the agent," Pearsall said. "The agent potentially didn't do anything wrong, but they still could get sued."

But if the E&O incident arose from a blatant dishonest act and the agent misguided the customer intentionally that might not bode well for the prospective employee, Pearsall said.

On the other hand, an employee could possibly turn an E&O experience into an advantage. Pearsall recommends that agencies should consider that someone who faced an E&O claim where they didn't do anything wrong but yet learned from the experience might make for a good employee. "I think that potentially they are a better person, a better employee, maybe after the claim than they were before," Pearsall said.

The truth is that many employees don't think about how an E&O claim might impact their future work opportunities, according to Pearsall. "Most producers understand what their exposures are, and maybe CSRs understand what their

Comparison of Changes in E&O Premium in Largest States

State	Decreased	Increased	Same
California	34.9%	24.1%	41.0%
Florida	37.5%	35.0%	27.5%
Illinois	27.3%	36.4%	36.4%
New York	25.0%	31.3%	43.8%
Texas	12.8%	44.7%	42.6%
All Other States	24.6%	32.4%	43.0%
Average Total	26.4%	32.6%	41.0%

Comparison of Average E&O Premium in Largest States

California	\$20,265
Florida	\$22,821
Illinois	\$23,735
New York	\$15,765
Texas	\$21,271
All Other States	\$18,679
Average Total	\$19,622

Comparison of E&O Claims Made Against Agencies in Largest States

State	Never	<5 years	6 to 10	>10
California	51.8%	25.3%	12.0%	10.8%
Florida	48.7%	30.8%	7.7%	12.8%
Illinois	51.5%	24.2%	9.1%	15.2%
New York	42.4%	30.3%	12.1%	15.2%
Texas	49.0%	36.7%	10.2%	4.1%
All Other States	46.7%	27.9%	12.7%	12.7%
Average Total	48.0%	28.5%	11.7%	11.9%

exposures are, but I do think that there are people at the agency side of the business that really don't understand their E&O exposure," he said. "There is no one in an agency that is immune from potentially having a claim."

Claims on the Rise

Both Pearsall and Diamond agree that while an E&O claim history might not be a deal-breaker for new employment, everyone working in an agency is facing increased odds of being involved in an E&O situation given today's tough times. According to *IJ*'s Agency E&O Survey results, E&O claims are on the rise.

"Last year 56.3 percent of survey respondents never had a claim," said Paul Osborne, a senior consultant with the actuarial, rating and consulting firm Demotech Inc., *IJ*'s official research partner. Osborne, who helped with the analysis of the survey results, said the number of survey respondents who have never had an E&O claim is down to 48.1 percent.

The results show a corresponding rise in recent claims as well. In 2009, just 22.8 percent of respondents said they had an E&O claim in the past five years, but in 2010, 28.4 percent of respondents admitted to having a claim in the past five years, Osborne said.

"Even the best trained agency staff will be more prone to errors when faced with ever-increasing workloads," Diamond said. "And the carriers' habits of requiring more work effort on the agency in the input of data to the company systems add to the risk of both commission and omission-type errors."

Pearsall says agency cutbacks on staff combined with soft market conditions have meant agencies are busier than ever.

"There's a lot more pressure on the agents, on the staff, to get the job done," Pearsall said. "I think there's a lot more company expectations of agents, passing on different responsibilities, etc., (and) certainly, the condition of the economy now" also adds more pressure on agencies and may increase E&O

exposure.

According to Pearsall, Utica's own E&O claim frequency is in good shape right now, down from what it was back in the mid-'90s. "At a national level E&O claim frequency went up just ever so slightly from 2008 to 2009, but now it is back down in 2010. And all of the numbers over the last number of years, the Utica program has enjoyed a very solid E&O claim frequency."

There is no one in an independent agency that is immune from potentially having an errors and omissions claim.

Despite heavier workloads and economic factors beyond agencies' control, a big majority (74.6 percent) of respondents to the survey said they are not worried about more errors in their

agencies due to staff reductions in the past year.

But according to Diamond, perhaps they should be more worried about how cutbacks invite mistakes. "Is the risk real? Of course," he said.

"In these difficult times fewer agencies are spending the time necessary on proper training, documentation and processing oversight. Pragmatically, the agency's time

is spent getting and keeping clients. I trust that either when the economy turns or when E&O problems arise, the agencies will react by implementing the training, documentation and audit trail that double-checks and avoids E&O exposure. Until then, they will continue to do more with less, hoping that no E&O exposures occur," Diamond said.

Reduced Coverage Risk

Just as agencies are looking to cut expenses in today's economy, so, too, are their customers, a situation that often translates into their pressing for lower premiums. According to Pearsall, as customers seek to reduce their premiums, and agents look for new carriers to lower those premiums, there is the potential for coverage differences and gaps that could in turn lead to an E&O exposure.

"One of the concerns that Utica has had, and that I have had, is to make sure that when a customer, because of the economic conditions, looks to reduce their coverage, whether they are dropping coverage, whether they are reducing the limits, agents are taking some action to make sure they get those requests in writing from the cus-

continued on page N30



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E&O, continued from page N29

tomers,” Pearsall said. “Because if you don’t bring it to their attention and there is a claim down the road, they could come back against the agent for failure to notify them of the differences.”

Pearsall advises agents to do a “mirror test,” or an analysis of coverage on both commercial and personal policies when they move an account from one company to another, to identify the differences and bring those differences to the customer’s attention. “The number one cause of claims continues to be, year after year after year, failure to provide the proper coverage.”

Pearsall also predicts over the next few years agency use of social media will become an issue that E&O carriers will have to

address. “I think there are some questions and issues with social media E&O exposures,” Pearsall said. “I think there are some things that are covered, and some things that are not covered,” Pearsall said, adding that coverage depends on how the social media is utilized in the agency.

“I think it’s going to be incumbent upon the E&O carriers to be able to address that in some form or another,” Pearsall added. “It’s very important for agents to recognize that no two E&O policies are the same.” Agencies should take the necessary steps to educate their customers, educate their staff and document properly, Pearsall says.

The Agency E&O Survey asked agents what areas of operations and practices they

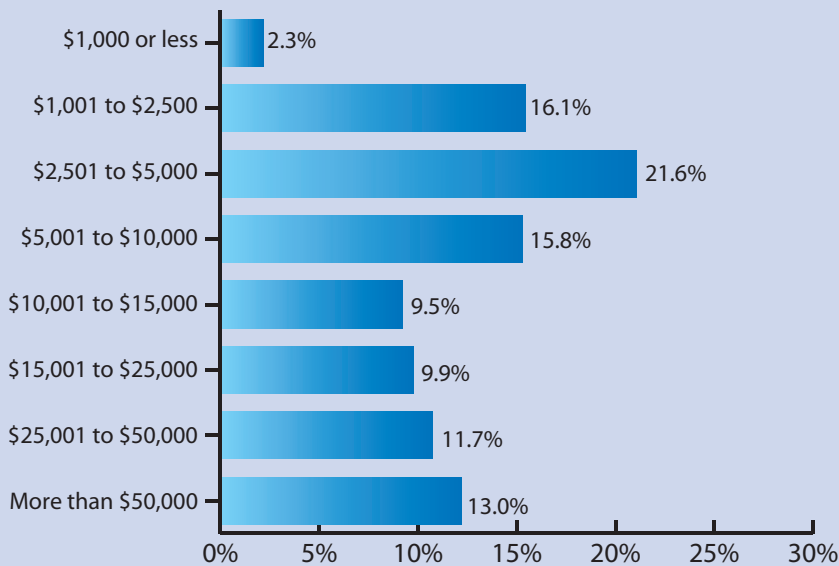
worry about as being the most vulnerable to an E&O claim. Common concerns expressed included: inadequate coverage; failure to issue certificates; failure to process changes; failure to offer options; and misrepresentation of services or claims.

Other Survey Findings

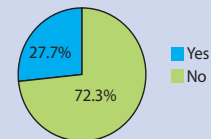
The average E&O premium reported was \$19,622 in 2010, which was unchanged from the prior year.

Close to half (41.0 percent) of all agencies reported that their E&O premiums stayed the same in 2009 compared to 2008, while 26.5 percent reported a decrease. Nearly one-third (32.5 percent) reported an increase in premium for that same time period.

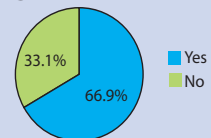
Annual Cost of Agency E&O Coverage



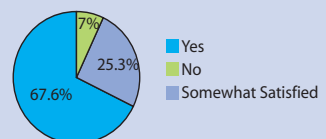
Changed Agency E&O Carrier in Past Three Years



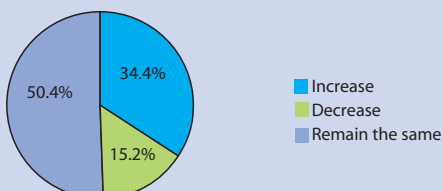
E&O Pricing Reflects Risk Management Steps



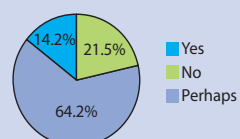
Satisfied with Agency E&O Terms, Conditions and Limits



Prediction on E&O Premium Change at Next Renewal



Would Agency Refuse to Hire Qualified Employee Due to E&O Claim



A little more than half of respondents (50.4 percent) reported they expect their E&O premium to remain the same at the next renewal.

Despite the fact that E&O premiums were largely flat, the number one reason respondents wrote as why they would change E&O carriers was price. Nearly a quarter (23.8 percent) said they would change carriers for a lower price.

Respondents also reported implementing new risk management procedures in the past year to reduce their agency's E&O exposure. More than half (54.7 percent) said their agency began new risk management steps.

Common risk management steps cited by respondents included: additional education; updated checklists; signatures for any removal of coverage; revised policies and procedures; focus on documentation; better use of agency management systems; and self auditing.

A strong majority (71.6 percent), said they believe independent agencies should be required by states to maintain a minimum level of E&O coverage. Of the five largest states, Illinois (86.2 percent) seems to greatly favor stricter state requirements for E&O, while New York (61.3 percent) is less convinced.

Agents also reported seeking the following improvements to their E&O coverage in the survey: better service, 8.6 percent; broader coverage, 26.9 percent; lower cost, 51.6 percent; increased competition, 7.5 percent; and more agencies allowed, 5.4 percent. Cyber liability or digital exposure coverage was also often mentioned as a sought after improvement.

About the Survey

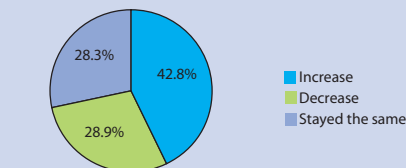
Insurance Journal's Agency E&O survey for 2010, conducted Oct. 6, 2010, through Oct. 16, 2010, drew 662 respondents from 46 states and the District of Columbia. Columbus, Ohio-based Demotech Inc. provided analysis and input for the Agency E&O survey. Demotech serves as *Insurance Journal's* official research partner.

There were no respondents from Alaska,

Agency E&O Premium Change in 2009 Compared to 2008



Agency E&O Premium Change in the Past Three Years



Nebraska, Nevada and Wyoming. The five states with the highest percentage of respondents were California (15.4 percent), Florida (8.2 percent), Illinois (6.5 percent), New York (6.3 percent) and Texas (9.4 percent).

Total property/casualty premium volume in 2009 was less than \$5 million for 44.5 percent of responding agencies; 16.7 percent said their agency's P/C premium volume was between \$5 million and \$10 million; and 15.8 percent had P/C premium between \$11 million and \$25 million. Some 17.8 percent said P/C premium was between \$26 million and \$200 while 5.3 percent reported it as more than \$200 million.

Most agencies (57.1 percent) had between 1-10 full time employees; 14.2 percent had between 11-20 employees; 6.3 percent had between 21-30 employees; 6.4 percent had between 31-50 employees and 51-100 employees, respectively; while 9.5 percent had more than 100 employees.

The average premium volume for all responding agencies increased from \$29 million in 2008 to almost \$35 million in 2009. ■

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Test Your Insurance News Knowledge

Are you an insurance news hound? Test your insurance news IQ and find out. The following questions and answers (see bottom of the page) were developed based on news stories published on InsuranceJournal.com in 2010. Good luck!

1. During the year, Congress let the National Flood Insurance Program lapse several times. The last vote extends the NFIP until when?

- a. Jan. 31, 2011
- b. Sept. 30, 2011
- c. Dec. 31, 2013
- d. Sept. 30, 2012

2. What state had the highest number of internet fraud complaints in 2009?

- a. Florida
- b. Texas
- c. New York
- d. California

3. About how much of its \$182 million bailout does AIG still owe U.S. taxpayers?

- a. \$100 billion
- b. \$50 billion
- c. \$25 billion
- d. \$0

4. Who won the November election to be the next Georgia insurance commissioner?

- a. Ralph Hudgens
- b. John Oxendine
- c. Wayne Goodwin
- d. Kevin McCarty

5. The nation's largest insurance brokers received the go-ahead to begin accepting contingent commissions again in 2010. But which of the following large brokers said they would not resume accepting them?

- a. Aon
- b. Marsh
- c. Willis
- d. All of the above

6. The attempted takeover of what company by Texas-based based Biglari Holdings Inc., owners of the Steak n Shake restaurant chain, prompted a new Michigan law requiring that a perceived hostile takeover of a small insurer be approved by two-thirds of the shareholders?

- a. Michigan Insurance Co.
- b. Fremont Michigan InsuraCorp.
- c. Northern Mutual Insurance Co.

7. In 2010, which of the following insurance entities announced and then cancelled plans for an initial public offering of one of its units?

- a. Allstate
- b. Liberty Mutual
- c. AIG
- d. ISO

8. How many managing agencies at Lloyd's had gross written premiums in excess of \$2 billion in 2009?

- a. 2
- b. 3
- c. 4
- d. 5

9. Under the Obama federal health care reform, medical malpractice insurers will lose their limited exemption from federal anti-trust laws.

- a. True
- b. False

10. Who won the November election to be the next California insurance commissioner?

- a. Mike Villines
- b. Dave Jones
- c. Steve Poizner
- d. Jerry Brown

11. How much did oil giant BP set aside to pay claims from the Gulf of Mexico oil disaster?

- a. \$20 billion
- b. \$100 billion
- c. \$75 billion
- d. \$200 million

12. How much have the world's insurers and reinsurers paid out in catastrophe claims so far this year?

- a. More than \$10 billion
- b. More than \$20 billion
- c. More than \$30 billion
- d. More than \$40 billion

13. For the years 2006 through 2010, Florida property insurers will have paid an estimated \$2 billion in claims for what?

- a. Fires
- b. Hurricanes
- c. Sinkholes
- d. All of the above



14. Which of the following insurance firms fended off a mini-tender offer by an outside firm looking to buy 2 million shares?

- a. Harleysville Insurance
- b. Chubb Insurance
- c. Markel Insurance
- d. Willis

15. In July, Ohio Attorney General Richard Cordray negotiated a settlement in long-running securities fraud lawsuit with insurer American International Group on behalf of three Ohio pension funds. Under the terms of the July settlement, AIG agreed to pay:

- a. \$10 Million
- b. \$1.5 Billion
- c. \$725 Million

16. What was the workers' compensation industry's combined ratio for 2009?

- a. 110
- b. 101
- c. 98
- d. 103

17. New York, under fire for tough workers' compensation requirements for out-of-state businesses, agreed to ease some of its rules for businesses that do only occasional, non-construction work in the state.

- a. True
- b. False

18. In which South Central state will an insurance agent be installed in January as lieutenant governor?

- a. Louisiana
- b. Oklahoma
- c. Arkansas

Answers: 1. B; Sept. 30, 2011; 2. D; 3. A; \$100 billion as of November; 4. A; 5. D; 6. B; 8. B; 7. B; 8. B; 9. B; 10. A; 11. A; 12. C; 13. C; 14. B; 15. C; 16. B; 17. A; 18. C; 19. A; 20. A; 21. C; 22. B; 23. B; 24. D; 25. B

19. Which insurer said it warned federal officials about safety problems with Toyotas as far back as 2007, years before the carmaker's massive recall in 2010?

- a. State Farm
- b. Allstate
- c. Progressive
- d. Travelers

20. Voters in which state rejected a measure to privatize the state's workers' compensation system??

- a. Washington
- b. Oregon
- c. Arizona
- d. California

21. Unless the provision in the federal health care law is repealed before it goes into effect in 2012, businesses will be required to file a so-called 1099 form identifying anyone to whom they pay at least how much in a year?

- a. \$60,000
- b. \$6,000
- c. \$600
- d. \$60

22. The Georgia Supreme Court in 2010 heard arguments on the constitutionality of the state's law setting caps on medical malpractice awards. What did the court decide?

- a. The law constitutional
- b. The law is unconstitutional
- c. The law is constitutional but the amounts are too low
- d. The question is a political one for the Legislature, not the courts, to decide.

23. Louisiana Gov. Bobby Jindal in July signed a bill that prohibits insurance companies from dropping homeowners insurance coverage for insureds that have a particular product in their homes. That product is:

- a. Vinyl flooring
- b. Chinese manufactured drywall
- c. High VOC paint

24. Last May a volcanic eruption grounded flights in Europe for several weeks. Where was the volcano located?

- a. Italy
- b. Indonesia
- c. Georgia
- d. Iceland

25. Despite requests from brokers, the California State Compensation Fund refused to modify its policy on paying commissions on direct accounts where there is a broker of record letter.

- a. True
- b. False



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Trustees Face Big Liability

Why Clients Need Errors and Omissions Coverage

By Christopher Troisi and Daniel B. Herbert

An attorney, family member or friend asked to serve as trustee faces a big responsibility as well as significant liability. Trustees are often called upon at a challenging juncture in the life of an individual or family; it's not unusual for a trustee to be plunged into a contentious situation. This puts them in a perilous position.

Many trustees who are sued today are uninsured and exposed to large potential losses. Attorneys acting as trustees may find that their malpractice insurance doesn't cover them. Errors and omissions insurance is essential for anyone acting as a trustee.

Trustees often face challenging accounting, financial and other estate issues while family members or beneficiaries scrutinize and critique their every move. The one thing of which you can be certain, whether it's a huge multi-million dollar estate for a public figure or a small family trust, if you're acting as a trustee, you can be sued and need to

protect yourself.

The trustee, as a fiduciary, has a legal duty to administer the trust with skill, care and caution, solely in the interest of the beneficiaries. The trustee's many other duties include the sometimes conflicting duty to make the trust productive.

Claims that may be submitted against a trustee are many, but include:

- Improper accounting;
- Mishandling of assets;
- Self-dealing and deliberately causing financial harm to beneficiaries;
- Conflict of interest; and
- Failure to obtain most advantageous tax savings.

The cost to litigate even basic trustee disputes can easily exceed \$100,000. Larger disputes, or those vigorously prosecuted out of spite, can cost much more to defend. Litigation is more common and settlement increasingly difficult in cases where familial



Troisi



Herbert

tensions are involved.

In addition, the trustee may also be left holding the bag when the claims are asserted only after the trust has been fully distributed, leaving the trustee without trust funds to defend himself, much less to compensate

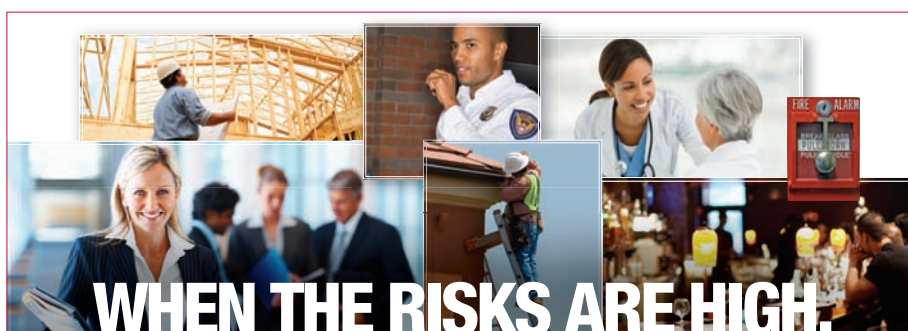
Trustees often face challenging accounting, financial and other estate issues while family members or beneficiaries scrutinize and critique their every move.

himself for the additional trustee services that will be required. In this case, the trustee is especially disadvantaged, defending himself out of his own pocket against the aggressive claims of the well funded beneficiaries who may be disappointed solely because they thought they would be receiving more in the end.

Mom and Pop Trusts

The most basic, and by far the most common type of trust is the standard mom and pop family trust, set up by a married couple for their own benefit, and for the benefit of their children and other relatives after they pass on. These trusts nearly always hold the family home and whatever properties and other assets the couple has accumulated over the course of their lives, including financial accounts and investments. Many times it also includes a family business, which can be substantial. The value of these trusts is the usual measure of potential damages against the trustee.

The family trust situation presents special risks for the trustee. Family members are often unsophisticated about business matters and finances, but they can be the quick-



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est to complain about financial issues related to the trust. Emotions run high in the case of conflict, and animosities are often deep-seated, tracing back to childhood.

The trustee, who is also a beneficiary, as will typically be the case with the surviving spouse, is especially vulnerable. This is not just because of family animosities. More importantly from a legal perspective, it's because the surviving spouse as a trustee has divided loyalties and built-in conflicts of interest. The trustee is responsible for allocating various assets among the various sub-trusts, not all of which will have the same beneficiaries. Beneficiaries will object to allocations they find unfavorable, and it may be impossible to please all of them. When the surviving spouse is also a step parent of the beneficiaries her chance of being sued increases substantially. Other trustee/beneficiaries will be similarly criticized if there is any perception they are favoring their own interests, or the interests of some beneficiaries over others.

While damages for intentional torts are usually not covered by insurance, the insurer's duty to defend remains an extremely important safeguard. Other damages can result from something as simple as inadvertently missing any one of the many tax and legal deadlines associated with the administration of the trust. These can be statutory limits on the time within which the trustee may pursue claims against others, or the times that certain tax elections or filings must be made. Damages for a blown statute can be in the millions, and they can be caused purely by accident. The trustee will

nonetheless be liable for them.

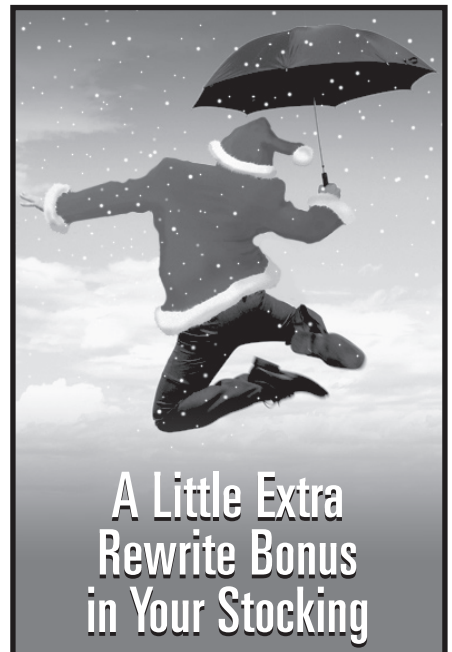
Available Coverage and the Right Questions to Ask

Most trustee errors and omissions coverage will be available on a claims made or claims made and reported basis. Limits of up to \$10 million or more may be available depending on the market and the trustee's individual needs. Policies will normally provide a defense for intentional conduct, fraud and criminal activity (most will have final adjudication language). The policy should always include coverage for unintentional misappropriation or misallocation of the trust funds. You should start by speaking with a knowledgeable expert to assist in obtaining the appropriate coverage. Depending on the unique circumstances presented by each trust situation, discuss these options:

- Coverage for a trustee who is also a beneficiary of the trust.
- Defense costs outside the limits (for high profile or complex trusts that could yield high-profile or complex litigation).
- Adequate policy limits depending on the size of the trust.
- Attorneys should check to determine whether their legal malpractice policy covers their actions as a trustee. Otherwise, consult with your broker regarding a standalone professional liability policy. ■

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Music and Producer Development

How to Set the Tune for Sales Success in an Agency



Burand

By **Chris Burand**

Great music combines so many elements. When terrific lyrics are combined with an awesome arrangement, the result is powerful. And sometimes if you separate the two, the power is lost.

Developing successful producers is similar to music because two parts are required. The first part is a person that can produce. No matter how hard an agency tries, no matter how great the producer school(s) or sales training is, and no matter what tools the agency provides, if a producer can't knock on doors and close sales, he or she is rarely going to be a successful producer. It's like putting a square peg in a round hole.

Equally important is an arrangement that makes the most of a person's talent. Alternative arrangements of many famous rock songs are horrible or boring at best. For example, take the live version of Bob Segar's "On the Road Again" or Peter Frampton's "Do You Feel Like We Do" and



compare those songs to their studio versions. Thank goodness both made live versions or else both musicians would be much poorer today. Or think about some of the humorous or overly clever musicians that have tried to take a rock song and make it a country song or vice versa. Sometimes it works (think Rolling Stones), but most often, the alternative arrangement is a failure.

Similarly, the vast majority of producers

need the right arrangement to succeed. That arrangement needs to be set to a tune by which they naturally harmonize. This does not mean everyone gets to play their own tune. In fact, that is a key problem in most agencies. Everyone can't march to their own drummer. The tune has to be the same for everyone to achieve success. The arrangement can be slightly adjusted for each producer though.

This means creating the right environment. My observations are that this environment must include the following key points:

A positive environment where quality sales are emphasized. In this environment, producers that are not really producing, but more or less babysitting books, are recognized as valuable players but they are not recognized as producers. Too often agencies use the same title for people that truly produce and people that truly service books. These are not the same jobs and don't warrant the same titles. This is often a source of conflict, sometimes subtle and sometimes not so subtle, which exists between producers and even CSRs. Help create a positive environment with better titles that fit each person's strengths.

For brand-new producers, a strong training culture is required. Of course every once in a while a musician is born that needs no formal musical training to be great, like Keith Moon. But if the person is that great, most bands can't handle them for long and

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the same is true for agencies. Some of the best producers are the most disruptive, to the point that all the business they bring to the table is not worth the trouble they bring with them. It is sometimes a better policy to develop several above average producers through good, strict training combined with some natural talent rather than hoping to find a great master that needs no training.

An energetic environment is important. Selling requires much more energy than non-salesmen can ever understand. This is a key reason why agencies with many servicing producers almost always have difficulty developing quality producers. The energy required for sales just does not exist in a servicing environment.

A solid structure creates focus and relieves stress. One of the reasons many agency owners claim they do not have proper operating procedures or do not make their producers follow such procedures is because that would kill the energy. This is like letting each band member play whatever tune he or she wants without regard for what the rest of the band is playing. Music is the

only language that uniformly crosses all cultures. This standard has enabled so many great compositions in all ages and cultures. Without solid structure, one loses the joy of music.

A solid structure improves a good producer's potential because it creates focus and it creates business written within the arrangements provided by the agency. Some producers need different arrangements and they are better off working elsewhere. The solution is not to abandon procedures. The producer will not be any more successful under that scenario either and the agency will just have more problems on their hands as a result.

When everyone in the agency is playing the same tune, so much more is achieved because everyone is pulling in the same direction. Without procedures, it is impossible for everyone to pull in the same direction. Again, this does not mean there is no room for a person to put their own

touch on the process. Indeed, procedures so strict that a producer's personal touch is not permitted are procedures doomed to fail. There has to be room for that personal touch, but only within the agency's arrangements. The producers have to be playing the same tune with a few extra notes tossed in.

Duane Allman playing slide guitar on Boz Scagg's "Brother Can You Spare a Dime" is a great example. Maybe jazz is an even better example.

Agencies today are desperate for new business to offset this soft market and to generate that business they are desperate for quality producers. But that is putting the cart before the horse. Before hiring any more producers, make sure you have the score written so the person you hire knows what tune to play. ■

The vast majority of producers need the right arrangement to succeed.

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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States: All states
Contact: Jonathan Klein at 520-615-9090 or e-mail: jonathank@kis-hospitality.com

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2010/11 BUYER'S GUIDE

Welcome to Insurance Journal's 2nd annual Buyer's Guide, a tear-out directory of services, products and solutions for the insurance industry.

Companies are listed within eleven different categories; Agents, Agent Networks, Agency Services, Claims, Construction/Restoration, Education/Training, Human Resources, Insurance Associations, Marketing, Technology and Underwriting Services. All information listed in this directory was directly submitted to Insurance Journal and inclusion was open to P&C insurance related businesses, excluding Markets, Legal Firms and Premium Finance companies, as they are included in separate directories printed throughout the year.

You can also view the companies in our comprehensive online YellowPages Directory. To view the site or to list your own insurance related business, please visit www.insurancejournal.com/yellowpages

To be included in the Markets or Finance Directories, contact Kristine Honey at: khoney@insurancejournal.com or visit www.mynewmarkets.com

We hope you find this directory to be a valuable resource. Feel free to send us your comments or suggestions on how we might improve this feature, please email: ncoghill@insurancejournal.com

Agents

The Andrew Agency, Inc
500 Libbie Avenue, Suite 1A
Richmond, VA 23226
Tel: 804 320 2886

ASB Insurance Brokerage, Inc
10 Underwood Place
Clifton, NJ 07013
Tel: 973 470 9004

Douglas Nembhard Insurance Agency, Inc
170 East 3rd Street
Mount Vernon, NY 10550
Tel: 914 665 6101

TWFG Insurance Services
2386 Fair Oaks Boulevard, Suite 114
Sacramento, CA 95825
Tel: 916 601 3846

Agent Networks

AgencyEquity.com
533 Airport Boulevard, Suite 400
Burlingame, CA 94010
Tel: 650 344 9660

Smart Choice Direct Co Appointments
5717 W. Crowley Avenue
Visalia, CA 93291
Tel: 559 799 4922



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Agency Services

YourInsurancePayment.com
8530 La Mesa Boulevard, #208
La Mesa, CA 91941
Tel: 619 697 0235

**Wrap Up Insurance Solutions
(TPA - Non Claims)**
16141 Swingley Ridge Road
Chesterfield, MO 63017
Tel: 636 489 0185

Claims

Alternative Service Concepts, LLC
2501 McGavock Pike, Suite 802
Nashville, TN 37214
Tel: 615 360 2800

AmeriClaim of Salt Lake City
PO Box 9692
Salt Lake City, UT 84109
Tel: 801 292 7644

**Antique & Personal Property
Appraisals**
8690 Aero Drive, Suite 115-357
San Diego, CA 92123
Tel: 619 670 4455

Avizent Alternative Risk
5000 Bradenton Avenue
Dublin, OH 43017
Tel: 800 777 4283

Equipment Damage Consultants
96 Riverbrook Avenue
Lincroft, NJ 07738
Tel: 732 530 9863

Fidelity Claims, Inc
PO Box 868094
Plano, TX 75023
Tel: 866 934 3788



Invision
21 Maple Avenue
Bay Shore, NY 11706
Tel: 888 336 1760

Lambda Loss Consultants, LLC
38334 N. Sandy Drive
Phoenix, AZ 85140
Tel: 480 503 8983

MGD Claim Services, Inc
507 Palm Avenue
Titusville, FL 32796
Tel: 321 591 6115

NW Claims Service
PO Box 82225
Portland, OR 97282
Tel: 503 305 8230

Professional Claim & Loss Consulting
PO Box 2270
Ocean Shores, WA 98569
Tel: 253 234 4175

ZBA Claims Services
6409 NW 199 Terrace
Miami, FL 33015
Tel: 786 472 4131

Construction & Restoration

Cleaning Plus
910 Graves Avenue
Oxnard, CA 93030
Tel: 805 483 6345

**EIFS & Stucco Inspection &
Forensic Services**
302 Robin Road
Mill Valley, CA 94941
Tel: 415 381 2223

OHM Garment Restoration
45125 Polaris Court
Plymouth, MI 48170
Tel: 734 207 7614

Overspray Rx
3455 Peachtree Road, Suite 500
Atlanta, GA 30326
Tel: 800 428 9017



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Tel: 719 924 9454

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1001 Avenue of the Americas

New York, NY 10018

Tel: 866 275 3473

Focal Insurance Consulting

PO Box 175

Pomona, NY 10970

Tel: 845 354 2036

Kaplan Financial Education

1900 Ballpark Way, Suite 106

Arlington, TX 76006

Tel: 800 824 8742

SNL Center for Financial Education

1 SNL Plaza

Charlottesville, VA 22902

Tel: 434 951 7786

The Wedge Group

5729 Lebanon Road, Suite 144, Box 410

Frisco, TX 75034

Tel: 214 446 3209

Wise Education, INC

140 Prospect Avenue

Hackensack, NJ 07601

Tel: 800 577 9888

Human Resources

Crossroads Consulting, LLC

272 Fan Hill Road

Monroe, CT 06468

Tel: 203 459 9969



Insurance Associations

NAIW International

9343 East 95th Court S.

Tulsa, OK 74133

Tel: 918 294 3700

Professional Liability Underwriting Society (PLUS)

5353 Wayzata Boulevard, Suite 600

Minneapolis, MN 55416

Tel: 952 746 2580

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Tel: 800 736 9741



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Technology



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Las Vegas, NV 89118
Tel: 888 578 0212

Cover-All Technologies

55 Lane Road, Suite 300
Fairfield, NJ 07004
Tel: 973 461 5200

Crashboxx Telematics Systems

2614 S. Timberline, #109
Fort Collins, CO 80525
Tel: 716 566 5884

docStar Document Management

2165 Technology Drive
Schenectady, NY 12308
Tel: 800 367 5906

eBridge Solutions

1018 North Ward Street
Tampa, FL 33607
Tel: 877 676 6067

Getdashboard.com Leadlog, LLC

1200 S. Rogers Circle #13, 2nd Floor
Boca Raton, FL 33487
Tel: 800 458 7713

Insurance Automation Group

207 Larrabee Road
Westbrook, ME 04092
Tel: 207 856 5300

Insurance Data Processing, Inc

8101 Washington Lane
Wyncote, PA 19095
Tel: 215 885 2150

Insurance Web Designs, Inc

17216 Saticoy Street, Suite 136
Lake Balboa, CA 91406
Tel: 866 998 4242

QuickPFA

8530 La Mesa Boulevard, #208
La Mesa, CA 91941
Tel: 619 697 0235

Solartis

1601 N. Sepulveda Boulevard, #606
Manhattan Beach, CA 90266
Tel: 570 842 7094

Underwriting Services



Insurance & Safety Services, Inc/ISS

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Centreville, VA 22033
Tel: 703 934 2664

Corelogic ADR

2860 Gold Tailings Court
Rancho Cordova, CA 95741
Tel: 800 766 6877 ext 5225

Surety Consulting, LLC

2176 Calle Lys
Thousand Oaks, CA 91360
Tel: 805 497 7613

NOTICES

December 20, 2010

**Great Midwest Insurance Company
 800 Gessner, Suite 600
 Houston, Texas 77024**

The above company has made application to the Division of Insurance to obtain a Foreign Company License to transact Property and Casualty insurance in the Commonwealth of Massachusetts.

Any person having any information regarding the company which relates to its suitability for the license or authority the applicant has requested is asked to notify the Division by personal letter to the Commissioner of Insurance, 1000 Washington Street, Suite 810, Boston, MA 02118-6200, Attn: Financial Surveillance and Company Licensing within 14 days of the date of this notice.

December 20, 2010

**Lantana Insurance Ltd
 c/o Dewey & LeBoeuf LLP
 1301 Avenue of the Americas, NY, NY 10019**

The above company has made application to the Division of Insurance to be an Eligible Alien Unauthorized Insurer in the Commonwealth of Massachusetts.

Any person having any information regarding the company which relates to its suitability for the license or authority the applicant has requested is asked to notify the Division by personal letter to the Commissioner of Insurance, 1000 Washington Street, Suite 810, Boston, MA 02118-6200, Attn: Financial Surveillance and Company Licensing within 14 days of the date of this notice.

December 20, 2010

**Glencoe Insurance Ltd
 c/o Dewey & LeBoeuf LLP
 1301 Avenue of the Americas, NY, NY 10019**

The above company has made application to the Division of Insurance to be an Eligible Alien Unauthorized Insurer in the Commonwealth of Massachusetts.

Any person having any information regarding the company which relates to its suitability for the license or authority the applicant has requested is asked to notify the Division by personal letter to the Commissioner of Insurance, 1000 Washington Street, Suite 810, Boston, MA 02118-6200, Attn: Financial Surveillance and Company Licensing within 14 days of the date of this notice.

December 20, 2010

**The American Road Insurance Company
 One American Road
 Dearborn, MI 48121**

The above company has made application to the Division of Insurance to amend their Foreign Company License to transact Property and Casualty insurance in the Commonwealth of Massachusetts.

Any person having any information regarding the company which relates to its suitability for the license or authority the applicant has requested is asked to notify the Division by personal letter to the Commissioner of Insurance, 1000 Washington Street, Suite 810, Boston, MA 02118-6200, Attn: Financial Surveillance and Company Licensing within 14 days of the date of this notice.

December 20, 2010

**Zale Indemnity Company
 901 W. Walnut Hill Lane
 Irving, Texas 75038**

The above company has made application to the Division of Insurance to amend their Foreign Company License to transact Property and Casualty insurance in the Commonwealth of Massachusetts.

Any person having any information regarding the company which relates to its suitability for the license or authority the applicant has requested is asked to notify the Division by personal letter to the Commissioner of Insurance, 1000 Washington Street, Suite 810, Boston, MA 02118-6200, Attn: Financial Surveillance and Company Licensing within 14 days of the date of this notice.

December 20, 2010

**The Ohio Casualty Insurance Company
 9450 Seward Road
 Fairfield, Ohio 45014**

The above company has made application to the Division of Insurance to amend their Foreign Company License to transact Property and Casualty insurance in the Commonwealth of Massachusetts.

Any person having any information regarding the company which relates to its suitability for the license or authority the applicant has requested is asked to notify the Division by personal letter to the Commissioner of Insurance, 1000 Washington Street, Suite 810, Boston, MA 02118-6200, Attn: Financial Surveillance and Company Licensing within 14 days of the date of this notice.

December 20, 2010

**Ohio Security Insurance Company
 9450 Seward Road
 Fairfield, Ohio 45014**

The above company has made application to the Division of Insurance to amend their Foreign Company License to transact Property and Casualty insurance in the Commonwealth of Massachusetts.

Any person having any information regarding the company which relates to its suitability for the license or authority the applicant has requested is asked to notify the Division by personal letter to the Commissioner of Insurance, 1000 Washington Street, Suite 810, Boston, MA 02118-6200, Attn: Financial Surveillance and Company Licensing within 14 days of the date of this notice.

December 20, 2010

**American Fire and Casualty Company
 9450 Seward Road
 Fairfield, Ohio 45014**

The above company has made application to the Division of Insurance to amend their Foreign Company License to transact Property and Casualty insurance in the Commonwealth of Massachusetts.

Any person having any information regarding the company which relates to its suitability for the license or authority the applicant has requested is asked to notify the Division by personal letter to the Commissioner of Insurance, 1000 Washington Street, Suite 810, Boston, MA 02118-6200, Attn: Financial Surveillance and Company Licensing within 14 days of the date of this notice.

December 20, 2010

**Wesco Insurance Company
 59 Maiden Lane, 6th Floor
 New York, NY 10038**

The above company has made application to the Division of Insurance to amend their Foreign Company License to transact Property and Casualty insurance in the Commonwealth of Massachusetts.

Any person having any information regarding the company which relates to its suitability for the license or authority the applicant has requested is asked to notify the Division by personal letter to the Commissioner of Insurance, 1000 Washington Street, Suite 810, Boston, MA 02118-6200, Attn: Financial Surveillance and Company Licensing within 14 days of the date of this notice.

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December 20, 2010

Technology Insurance Company, Inc.
59 Maiden Lane, 6th Floor
New York, NY 10038

The above company has made application to the Division of Insurance to amend their Foreign Company License to transact Property and Casualty insurance in the Commonwealth of Massachusetts.

Any person having any information regarding the company which relates to its suitability for the license or authority the applicant has requested is asked to notify the Division by personal letter to the Commissioner of Insurance, 1000 Washington Street, Suite 810, Boston, MA 02118-6200, Attn: Financial Surveillance and Company Licensing within 14 days of the date of this notice.

December 20, 2010

United Property & Casualty Insurance Company
360 Central Avenue, Suite 900
St. Petersburg, FL 33701

The above company has made application to the Division of Insurance to obtain a Foreign Company License to transact Property and Casualty insurance in the Commonwealth of Massachusetts.

Any person having any information regarding the company which relates to its suitability for the license or authority the applicant has requested is asked to notify the Division by personal letter to the Commissioner of Insurance, 1000 Washington Street, Suite 810, Boston, MA 02118-6200, Attn: Financial Surveillance and Company Licensing within 14 days of the date of this notice.

December 20, 2010

Torus Insurance (UK) Limited
88 Leadenhall Street
London, EC3A 3BP, United Kingdom

The above company has made application to the Division of Insurance to be an Eligible Alien Unauthorized Insurer to transact Property and Casualty insurance in the Commonwealth of Massachusetts.

Any person having any information regarding the company which relates to its suitability for the license or authority the applicant has requested is asked to notify the Division by personal letter to the Commissioner of Insurance, 1000 Washington Street, Suite 810, Boston, MA 02118-6200, Attn: Financial Surveillance and Company Licensing within 14 days of the date of this notice.

December 20, 2010

QBE Insurance (Europe) Limited
Plantation Place, 30 Fenchurch Street
London, EC3M 3BD, United Kingdom

The above company has made application to the Division of Insurance to be an Eligible Alien Unauthorized Insurer to transact Property and Casualty insurance in the Commonwealth of Massachusetts.

Any person having any information regarding the company which relates to its suitability for the license or authority the applicant has requested is asked to notify the Division by personal letter to the Commissioner of Insurance, 1000 Washington Street, Suite 810, Boston, MA 02118-6200, Attn: Financial Surveillance and Company Licensing within 14 days of the date of this notice.

December 20, 2010

Liberty Mutual Insurance Europe Limited
3rd Floor, 2 Minster Court, Mincing Lane
London EC3R 7YE, United Kingdom

The above company has made application to the Division of Insurance to be an Eligible Alien Unauthorized Insurer to transact Property and Casualty insurance in the Commonwealth of Massachusetts.

Any person having any information regarding the company which relates to its suitability for the license or authority the applicant has requested is asked to notify the Division by personal letter to the Commissioner of Insurance, 1000 Washington Street, Suite 810, Boston, MA 02118-6200, Attn: Financial Surveillance and Company Licensing within 14 days of the date of this notice.

December 20, 2010

The Marine Insurance Company Limited
St. Mark's Court, Chart Way
Horsham, West Sussex RH12 1XL, United Kingdom

The above company has made application to the Division of Insurance to be an Eligible Alien Unauthorized Insurer to transact Property and Casualty insurance in the Commonwealth of Massachusetts.

Any person having any information regarding the company which relates to its suitability for the license or authority the applicant has requested is asked to notify the Division by personal letter to the Commissioner of Insurance, 1000 Washington Street, Suite 810, Boston, MA 02118-6200, Attn: Financial Surveillance and Company Licensing within 14 days of the date of this notice.

December 20, 2010

Darwin National Assurance Company
9 Farm Springs Road
Farmington, CT 06032

The above company has made application to the Division of Insurance to amend their Foreign Company License to transact Property and Casualty insurance in the Commonwealth of Massachusetts.

Any person having any information regarding the company which relates to its suitability for the license or authority the applicant has requested is asked to notify the Division by personal letter to the Commissioner of Insurance, 1000 Washington Street, Suite 810, Boston, MA 02118-6200, Attn: Financial Surveillance and Company Licensing within 14 days of the date of this notice.

December 20, 2010

North Light Specialty Insurance Company
2775 Sanders Road
Northbrook, Illinois 60062

The above company has made application to the Division of Insurance to obtain Surplus Lines Eligibility to transact Property and Casualty insurance in the Commonwealth of Massachusetts.

Any person having any information regarding the company which relates to its suitability for the license or authority the applicant has requested is asked to notify the Division by personal letter to the Commissioner of Insurance, 1000 Washington Street, Suite 810, Boston, MA 02118-6200, Attn: Financial Surveillance and Company Licensing within 14 days of the date of this notice.

December 20, 2010

National Interstate Insurance Company
3250 Interstate Drive
Richfield, OH 44286

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Any person having any information regarding the company which relates to its suitability for the license or authority the applicant has requested is asked to notify the Division by personal letter to the Commissioner of Insurance, 1000 Washington Street, Suite 810, Boston, MA 02118-6200, Attn: Financial Surveillance and Company Licensing within 14 days of the date of this notice.

Classifieds

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December 20, 2010

**Patrons Mutual Insurance Company
of Connecticut
769 Hebron Avenue
Glastonbury, Connecticut 06033**

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Any person having any information regarding the company which relates to its suitability for the license or authority the applicant has requested is asked to notify the Division by personal letter to the Commissioner of Insurance, 1000 Washington Street, Suite 810, Boston, MA 02118-6200, Attn: Financial Surveillance and Company Licensing within 14 days of the date of this notice.

December 20, 2010

**Great Lakes Reinsurance (UK) PLC
c/o Dewey & LeBoeuf LLP
1301 Avenue of the Americas, NY, NY 10019**

The above company has made application to the Division of Insurance to be an Eligible Alien Unauthorized Insurer in the Commonwealth of Massachusetts.

Any person having any information regarding the company which relates to its suitability for the license or authority the applicant has requested is asked to notify the Division by personal letter to the Commissioner of Insurance, 1000 Washington Street, Suite 810, Boston, MA 02118-6200, Attn: Financial Surveillance and Company Licensing within 14 days of the date of this notice.

December 20, 2010

**TT Club Mutual Insurance Limited
c/o Dewey & LeBoeuf LLP
1301 Avenue of the Americas, NY, NY 10019**

The above company has made application to the Division of Insurance to be an Eligible Alien Unauthorized Insurer in the Commonwealth of Massachusetts.

Any person having any information regarding the company which relates to its suitability for the license or authority the applicant has requested is asked to notify the Division by personal letter to the Commissioner of Insurance, 1000 Washington Street, Suite 810, Boston, MA 02118-6200, Attn: Financial Surveillance and Company Licensing within 14 days of the date of this notice.

December 20, 2010

**Western-Southern Life Assurance Company
400 Broadway
Cincinnati, Ohio 45202**

The above company has made application to the Division of Insurance to amend their Foreign Company License to transact Life, Accident, and Health insurance in the Commonwealth of Massachusetts.

Any person having any information regarding the company which relates to its suitability for the license or authority the applicant has requested is asked to notify the Division by personal letter to the Commissioner of Insurance, 1000 Washington Street, Suite 810, Boston, MA 02118-6200, Attn: Financial Surveillance and Company Licensing within 14 days of the date of this notice.

December 20, 2010

**AmTrust International Underwriters Limited
40 Westland Row
Dublin 2, Ireland**

The above company has made application to the Division of Insurance to be an Eligible Alien Unauthorized Insurer to transact Property and Casualty insurance in the Commonwealth of Massachusetts.

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December 20, 2010

**FirstComp Insurance Company
222 S 15th St, Ste 1500 N.
Omaha, NE 68102**

The above company has made application to the Division of Insurance to obtain a Foreign Company License to transact Property and Casualty insurance in the Commonwealth of Massachusetts.

Any person having any information regarding the company which relates to its suitability for the license or authority the applicant has requested is asked to notify the Division by personal letter to the Commissioner of Insurance, 1000 Washington Street, Suite 810, Boston, MA 02118-6200, Attn: Financial Surveillance and Company Licensing within 14 days of the date of this notice.

December 20, 2010

**Jackson National Life Insurance Company
One Corporate Way
Lansing, MI 48951**

The above company has made application to the Division of Insurance to amend their Foreign Company License to transact Life, Accident, and Health insurance in the Commonwealth of Massachusetts.

Any person having any information regarding the company which relates to its suitability for the license or authority the applicant has requested is asked to notify the Division by personal letter to the Commissioner of Insurance, 1000 Washington Street, Suite 810, Boston, MA 02118-6200, Attn: Financial Surveillance and Company Licensing within 14 days of the date of this notice.

December 20, 2010

**West American Insurance Company
350 East 96th Street
Indianapolis, Indiana 46240**

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Lessons Learned and Looking Ahead at Lloyd's



McGovern

By Sean McGovern

December is often a time of reflection on what we've achieved, where we've stumbled and what lessons we will take forward into the New Year. When Lloyd's published its three-year strategy earlier this year, it was clear that one of our priorities was improving access to business through coverholders. So, what have we achieved in 2010?

Coverholders are local MGAs that partner with Lloyd's syndicates to underwrite on their behalf locally in countries all over the world. This is an incredibly important source of business to the Lloyd's market. They allow syndicates to offer products locally within a region or country, making it a cost-effective way for Lloyd's to underwrite smaller,

higher volume business globally while also bringing the benefits of Lloyd's to a wider customer base.

There are around 2,600 Lloyd's coverholders globally, and 1,100 of those are in the United States. Some have been doing business with Lloyd's for three or more generations. It is a partnership that works well for both entities.

Coverholders hold a great deal of expertise in particular products and regions and have very strong local relationships. They can be highly innovative in developing new products in partnership with Lloyd's syndicates and Lloyd's brokers. In return, coverholders benefit from access to Lloyd's brand, security and ratings, as well as working with experienced underwriters and brokers.

It is a common misconception that Lloyd's is difficult to access.

Renewing focus

Despite the success and longevity of the coverholder model, there has been renewed focus this year to ensure its efficiency and sustainability. It is a common misconception that Lloyd's is difficult to access, so several initiatives have been launched to improve the experience of dealing with Lloyd's and also improve coverholders' access to the market.

The first area of focus has been to remove some of the mystique surrounding Lloyd's. Our new website has been a useful vehicle to provide better guidance on dealing with the market. New content is helping to improve understanding of Lloyd's — including a new online educational module

on the London Market which soon will be CE accredited in most states. We have been working very closely on these initiatives with the Association of American General Agents (AAMGA) and National Association of Professional Surplus Lines Offices (NAPLSO) to ensure that we deliver what our US partners want in this area.

As a result of these discussions with MGAs, the market has also focused on developing consistent data standards for the risk, premium and claims information that coverholders provide to Lloyd's syndicates and brokers. We recently announced a new premium data standard to complement the existing ACORD Risk standard, and a claims standard is due to follow in early 2011. Common data standards will make it easier for coverholders to do business with Lloyd's and enable more effective use of technology.

This has been supported by several coverholder technology events, culminating in a forum in November where 30 vendors offering technology solutions to make coverholders' lives easier showcased their wares to syndicates and brokers. When the new technology is combined with the other market initiatives, like the Exchange and the Electronic Claims Files, it should give coverholders a simpler and more efficient access to Lloyd's.


To make it easier for potential clients to reach Lloyd's international coverholder network, we launched a new directory of coverholders on Lloyds.com in November. This allows retail agents across the world to locate their nearest coverholder using simple search criteria.

We also invested in significant enhancements to our ATLAS system — an online tool that makes the process of managing coverholders faster and more efficient — which will allow coverholders to easily monitor their regulatory, audit and approval information online. This is another key step in making the lives of our coverholders easier.

It's been a good year for improving the experience of coverholders in dealing with Lloyd's, and feedback from MGAs in the U.S. has been very positive. But now it's time to look ahead.

There is still a lot to do in 2011 with new online educational content under development, a U.S. coverholder event to be held in London, enhancements to the claims process, and easier-to-use marketing guidelines for coverholders to promote their Lloyd's relationship. We better get started. ■

McGovern is general counsel and North America director for Lloyd's.



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**Henri Lebossé, Bouygues Construction,
Head of Risk and Insurance Department**

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