Dear Christi,

PIA of Kentucky has some exciting changes coming in the following weeks, so look for special announcements to be hitting your inbox. We hope to see many of you at our Annual Meeting next week, where we’ll be sharing some of the news. Either way, you'll get the updates, so stay tuned!

Questions? Suggestions? Email us at info@piaky.org.

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The New Hostage Taking
by Tom Kang, The Hartford
The first ransom note in American history was written in 1874, when kidnappers demanded $20,000 to return four-year-old Charley Ross to his parents. "You will have to pay us before you get him from us, and pay us a big cent to," the note read.

Ransom notes have come a long way since the cryptic, hand-scribbled messages of post-Civil War times. In our modern-day digital world, their form has morphed into malicious software that holds a computer and its data hostage, setting them free only when the ransom money demanded is paid - usually in cryptocurrency like Bitcoins in lieu of paper money in a suitcase or sack. Personal computers are most commonly attacked, but businesses of all sizes are a growing target.

How does ransomware get on your computer?
Ransomware may be triggered in different ways: a phishing email that looks like a legitimate invoice or image, a visit to an infected website or an ad containing malware that has been injected into a legitimate webpage. When an unsuspecting victim opens the email or inadvertently falls into a ransomware-laden trap, the virus is silently installed on the victim's computer.

What does ransomware do?
Ransomware holds its victims hostage in one of two ways:

- Lockscreen ransomware displays a window that prevents access to any part of the computer until a sum is paid.

- File-encrypting ransomware is a more sophisticated adaptation that keeps the computer available but scrambles certain types of files, such as databases that hold sensitive or proprietary customer and business information. Then it displays a pop-up screen with detailed instructions on how to buy the private decryption key that will decrypt the scrambled files.

WannaCry Means Gotta Act!

Tech Infrastructure May Be More Fragile Then We Think
by Thomas Reagan, PropertyCasualty360.com

For many organizations, the past month brought an unwanted welcome to the new world of cyber risk.

The "greeting" came from WannaCry, ransomware that disrupted the U.K.'s health services, halted a French carmaker's production, interfered with a U.S. logistics company's network, and shut down corporate offices in Asia, all in a matter of hours.

The attackers sought an almost laughably small ransom from victims - as little as $300 per infected computer - but the ultimate disruption to the global economy will be much greater. One clear lesson as we look to prevent the next cyber pandemic is that technological infrastructure may be more fragile than previously thought. That means firms must focus on the growing risk of cyber business interruption.

Greater connectivity and complexity among IT networks increases the risk that disruptions will cascade. Such effects may be felt even when your firm escapes the attack but your suppliers and providers fall victim. In fact, unplanned IT and telecom outages are the leading cause of supply chain disruptions, and can lead to significant loss of revenue and extra expenses.

3 Critical Steps
Beyond addressing technical issues, businesses should consider these three lessons from the WannaCry attacks:

1. **Build resilience through cyber response exercises.** WannaCry was a novel piece of malware whose speed and impact were hard to anticipate. Firms should build flexibility, speed, and adaptability into their event-response capabilities. Test, test, and re-test your cyber response plan across your organization, and identify specialized resources and expertise as you do so. Assess new event scenarios - like complex ransomware threats - so you can quickly adapt to fast-moving events.

2. **Update your risk modeling.** Re-think the potential scenarios that could affect your operations, then work with business leaders to consider the potential operational and financial impacts. That can help you evaluate second- and third-order consequences - such as supply chain disruptions and associated financial costs - and determine which risks demand the most focus.

3. **Review and update your cyber insurance program.** Networks will continue to become more connected and businesses more dependent on data-sharing. Every business that relies on technology - and most do - should take a fresh look at their cyber insurance program. You should update policies as needed to provide coverage for business interruption and cyber extortion, and re-evaluate program limits in the face of catastrophic scenarios.

Ransomware and other evolving threats will increase in frequency and sophistication. Firms need a comprehensive cyber risk management strategy - including economic risk modeling, optimized cybersecurity and cyber insurance programs, and resilient cyber response capabilities, to ensure a quick, effective response and a timely return to normal operations....read full article

**PIA Recommended Links for Agencies**

More than 200,000 organizations in 150 countries have been affected by the ransomware attack. U.S. Homeland Security defines ransomware as "a type of malicious software that infects a computer and restricts users' access to it until a ransom is paid to unlock it." Experts advise to protect your agency by updating your systems and software with the latest patches and update, backing up your data, and not downloading or clicking on unfamiliar links or files.

Cyber insurance policies will protect firms from extortion like ransomware attacks, but if companies failed to keep their systems up-to-date, they may face exclusions, and companies using pirated software are unlikely eligible for an insurance payout.

For more information:

- [Microsoft Malware Protection Center](#)
- [DHS Statement on Ongoing Ransomware Attack](#)

**Meet Your PIAK Board**

**Joe Nicholson, CISR, CIC, Board Member**

Joe started out writing equine mortality insurance for his father-in-law's business, Cromwell Bloodstock Agency, where he began learning about the insurance business. In 1993 he went out on his own and formed Nicholson Insurance Agency, and expanded to property and casualty, personal and business lines, and continues to specialize in both equine and farm coverage.

In the early days of his business, a company rep steered Joe to PIA, with the thought that they would be the organization most responsive to the needs of someone getting started with an agency. The educational offerings were immediately attractive to Joe, as he was eager to learn more about the profession of insurance, and how to run a successful agency. He initially pursued his CISR designation, followed by earning his CIC award.
According to Joe, "In these days of internet sales, our role of the intermediary between companies and clients is very important to bolstering and enhancing personal relationships. As independent agents we want to emphasize that coverage, service and price are all important. PIA understands the nature of independent agencies, and offers access to a wealth of information". Joe also feels that PIA offers a high quality of representation on both the state and national level, which is critical in today's business climate.

Joe is happy to share his expertise in equine insurance, or on the variety of benefits available to PIA members. You can contact him at 859-224-7080 or email joe@nicholsoninsurance.net. He'll also be at the Annual Meeting on June 5th and 6th, and encourages you to join him there.

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E&O Risk Management Alert

**Carrier Ratings: Do You Have the Necessary Process in Place?**

*by Curt Pearsall, CPCU, AIAF, CPIA, "Special Consultant to the Utica National Errors & Omissions' Program"

Over the next few months, rating agencies such as A.M. Best, Demotech, S&P, etc., will be carefully dissecting the financials for nearly every insurance carrier in the marketplace. Based on these reviews, there is the potential that some carriers' ratings could change. Does your agency have a process in place to manage this key issue?

**Managing Carrier Ratings**

Every agency should have an established minimum financial rating for the carriers they do business with. While a minimum rating of "A-" using the A.M Best rating approach, is common among agencies, how your E&O carrier addresses insolvency in the policy form should be a consideration.

As rating agencies begin to publish their findings, it is vital for your agency to have a process to secure the most up-to-date information. There are many approaches. Based on the number of carriers your agency does business with, including carriers used by the wholesalers you do business with, identifying carriers' ratings can be a time-consuming process. It is suggested that agencies look for an automated approach to secure this key information.

A.M. Best has a tool that is part of its Key Rating Guide that provides email alerts on important information pertaining to various carriers. There is a fee for this service, but the information is timely. Visit [www.ambest.com/sales/krg](http://www.ambest.com/sales/krg) to learn more. The website includes a video demonstrating the guide's capabilities and functionality to help determine if this approach is right for your agency.

**Get It in Writing**

Not many carriers are downgraded each year. For example, an agency could have a carrier going from "A+" to "A." While agency management may want to examine the situation more closely, there will probably not be any further action needed. But what would your agency process be if one of your carriers was downgraded from "A-" to "B"? If this happens, identify the clients with those carriers. If the carrier is used by a wholesaler, the wholesaler should be able to provide this information unless that information was captured in your agency system.

It is then suggested to give those clients a written notice. The document should explain the situation advising the client that the coverage was placed with an insurance carrier that was recently downgraded. The explanation of
the rating as provided by the rating agency should be included. For example, in the A.M. Best methodology, a "B" rating is defined as "Fair," a "B+" is "Good," etc.

Inform your client that you are not in a position to attest to the carrier's future status and that there is the potential for the carrier to be unable to satisfy its obligation to pay claims. A primary goal of this written document is to educate the client to enable them to make an informed decision on whether they want to continue or discontinue coverage with the current carrier.

Include language advising the client that the agency would be willing to remarket the account to a carrier with a higher rating. In addition, tell the client that there is no guarantee that the premium will be equal to or less than what the client is currently paying or that the coverage will be identical.

The client must make a decision and communicate that decision in writing to the agency. In essence, what direction does the client want the agency to take? Some agencies have the choices noted on a document and require the client to check the box that indicates their decision.

Be Ready
There may not be many carriers whose rating changes in 2017, but what if one of those carriers is one you do business with? Make sure you have the necessary process in place.

A Day in the Life

A Successful Agent's Schedule
by John Chapin

6:00 a.m. - Wake up, take ½ a caffeine pill (100 mgs) with an 8 ounce glass of water. Next, think of three things I'm grateful for to get my head on straight and focus on positive thoughts. Get up, get on the floor and do 150 to 200 ab crunches. Grab my phone, run down stairs, get an 8 ½ x 11 sheet of paper out of my copy machine and write my biggest personal or professional issue at the top. 150 to 200 more crunches and drink another glass of water. Sit with my sheet of paper and work for 15 minutes coming up with 20 or more solutions to my biggest problem or issue. 150 to 200 more crunches.

Read, listen to, or watch either something positive, something about business, or something sales related for at least 30 minutes. Often it will be a combination. Review and write out my major goals and go over the major items (usually about 6) that I need to get accomplished during the day. 150 to 200 more crunches.

Run or bike for 25 minutes.

Some people also meditate for 10 to 20 minutes every morning which is a good idea for most, I just haven't found it all that helpful.

Note: It is a good idea to get up at the same time every day, even on the weekends.

7:15 a.m. - Eat breakfast. For me this is usually oatmeal, a protein shake, and a couple chicken cutlets. Next, mentally rehearse and picture a positive outcome to all upcoming calls and meetings. Shower and get dressed. I also use positive affirmations while showering and dressing to further increase enthusiasm to tackle the upcoming day.

8:00 a.m. - Check e-mail, voicemail, and prepare for the first calls of the day.

8:10 a.m. - The selling day begins. It is time to be in front of the customer or prospect, or on the phone with them. If there are any "unpleasant" tasks to be handled, such as breaking bad news to a client, handle these first and get them out of the way. From 8:10 until about 11:45, spend time on time-critical, client-related tasks, such as prospecting, presenting, and closing.
11:45 a.m. - Check for messages, return any calls, e-mails, or other communications that need to be taken care of.

Noon - A light lunch usually consisting of chicken and rice, a salad, and water. Protein is good here and don't go too heavy on the carbs. Overall this should be an average meal. You don't want to go to an all-you-can-eat buffet, as you'll be dozing off at 2 p.m. or sooner.

12:30 p.m. - Back to prospect/client time-critical tasks.

4:45 p.m. - Check for messages, return calls, e-mails, or other communications that need to be taken care of. General wrap-up of the client-related, time-sensitive tasks of the day and a positive and objective review of the day's events.

5:30 p.m. into evening - Exercise, a good dinner, relaxation with the family.

An hour or so before bed, work on non-time-critical tasks such as paperwork and follow up on e-mails, communications, proposals, etc. Read motivational or sales-related material, do some mental exercises such as positive affirmations, plan the following day, and check messages one more time.

Note: If you are just starting out in sales or business, your day may start earlier and end later. When I was starting out at 21 years old, it was not uncommon for me to be in the office at 7 a.m. and leave after 9 p.m. Monday through Thursday. Friday was usually 7 to 5. I was also working for 4 hours or so on Saturday and a couple of hours on Sunday. The bottom line: you know what kind of effort you need to put in and what needs to be done. Work the hours to get it done.

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Insurance Marketing 2017

The Four P's

P3: Promotions
by Sally Davisson

Are you making a statement?
This is the "P" you probably think of first when you think of marketing, and even then you probably only think about the most visible elements of promotion, like advertising and publicity stunts. Marketing however is much more of an integrated part of everything that goes into a successful practice. Marketing is all about how you position yourself, whether intentionally or unintentionally. Realize that virtually every contact that anyone has with you personally and with all aspects of your agency contributes to the impression that you are making. If you are aware, you are much more likely to make conscious, good choices on a daily basis, rather than perceiving marketing as a separate activity that you'll address when you have time. You're doing it already whether you know it or now.

There are many, many ways to promote an independent agency. And that can actually make it harder rather than easier to have an effective marketing plan. There is no one best way to go about it. It depends on many factors, but the first, and most important, is to know your target market. Most new business owners will say that everybody is in their target market, but that's neither practical nor helpful. Defining a target market, or multiple target markets is critical to making your marketing effective. It's not saying that you'd turn away someone who isn't in the description. It's matching the type of agency that you want to have as closely as possible with a definable, measurable portion of the community you can reasonably serve. The best way to think of it is to visualize your ideal client. Now describe that person in as much detail as you can. What are their age, gender, ethnicity, income, work history, and hobbies? And don't make assumptions, do the research.

Once you know who you're trying to talk to, it's a heck of a lot easier to know how to reach them and what to say. Your decisions on marketing overall need to be based on the best fit with the target audience, not on your personal preferences. Again, do your research.
There are two, equally important, major factors in promoting any business, including a medical practice:

1. **The message.** What do you want people to know about you? The main message needs to be very brief, specific and clear. You will also have “talking points” that provide supporting information to your main claim. Those talking points also need to be clear and concise. Every person on your staff needs to be able to repeat the talking points in their sleep. And of course it needs to address your target market's needs. Creativity is great, but it is secondary to honest communication. When people hear your message it should give them a very realistic idea of what you can offer to them. Nothing more, but certainly nothing less.

2. **The medium.** This is the vehicle you use to deliver your message. This should be based on the most cost-efficient means of reaching the largest number of people in your target market. Social media and the internet certainly have made the process more accessible, but it is still an investment of time at the very least, and needs to be done as professionally as any other type of business communication. When you open your office doors, you'll soon find that the advertising community knows you are there, even if nobody else does. Many will claim that they are an exact fit for your target market, and you will probably go out of business if you don't purchase advertising with them. Ask for unbiased third party research to support their claims, and if they don't have it, take a pass.

**Next Month: Moving On**

*Sally Davisson is owner of Sally Advertising, LLC, and is currently assisting PIA of Kentucky with their marketing communications. If you have a question for Sally call 859-361-5004 or email sally@sallyadvertising.com.*

**Agent & Broker Survey**

**CMS Wants You**
The Centers for Medicare & Medicaid Services (CMS) is currently collecting opinions and suggestions to better serve the agent and broker community. This questionnaire should take about 10 minutes to complete. CMS welcomes your feedback regarding the CMS Agent and Broker program and encouraged you to respond.

You can access the questionnaire [here](#).

**Education**

![Personal Lines Institute](personal-lines-institute.png)

**Featured Class**
Client-friendly personal lines insurance is what your customers expect and what will strengthen your book of business and commission income. Attend this CIC institute to learn more about the unique insurance coverage needs of individuals, families, and family members.

You'll Learn How To:

* Complete an in-depth study of the ISO Homeowner Policy with emphasis on the HO3 Form
* Better understand the application of coverage of a personal auto policy
* Obtain an overview of personal umbrella/excess liability coverages, including underlying limits and self-insured retention
* Provide each of your clients the broadest and most comprehensive service-personal attention with a professional's touch

Upcoming CISR Classes

**CISR Life & Health Essentials**  
August 15, 2017 ~ Lexington

**CISR Insuring Commercial Property**  
August 16, 2017 ~ Paducah

**CISR Commercial Casualty II-BAP, WC, Excess**  
August 23, 2017 ~ Louisville

Live Webinars

**Additional Insureds: The Quandary**  
June 15, 2017 ~ 2:00-5:00 PM ET

National

**Regulators Ask Washington to Save the Health Market**
Officers of the National Association of Insurance Commissioners (NAIC) sent letters on May 17 to Office of Management and Budget Director Mick Mulvaney and U.S. Senate leaders warning that if Congress and the Trump administration want consumers in most of the United States to have access to commercial individual health coverage in 2018, they must continue full funding for the Affordable Care Act's (ACA) cost-sharing reduction subsidy program to stabilize the market immediately....

**Zurich Using Artificial Intelligence in Deciding Claims**
Zurich Insurance is deploying artificial intelligence in deciding personal injury claims after trials cut the processing time from an hour to just seconds, its chairman said....
Lloyd's to Stay in London, Cuts Mulled
Lloyd's of London will stay in London, but there may soon be fewer people working there. Following the U.K.'s vote in favor of exiting the European Union, there was speculation that Lloyd's might move to an EU country... more