Whether the loss is large or small, residential or commercial, your customers need immediate response to begin the recovery process. With Paul Davis as a resource you have instant access to our network of insurance restoration and reconstruction experts. And our streamlined claims resolution is designed to make the claims process as smooth as possible throughout every loss, every time. Our goal is to get your policyholders up and running as soon as possible.
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“Going back to the basics strengthens your foundation”
-Unknown Author

In the ever-evolving insurance industry, as in life in general, it’s always a good idea to take time for a refresher—to review the basics. It is likely each of us may be missing (or have forgotten) some fundamental, but important, component of our industry. There are three main sectors of insurance, all transferring risk from their policyholders to protect them from catastrophe: property/casualty, life, and health insurance. Because there are so many varying facets within each of these sectors, we chose to mainly focus our back-to-basics issue on a few aspects of the property/casualty side of the industry. We did, however, also include a basic overview of life insurance and annuity products from Insurance Information Institute’s Insurance Handbook. Specifically, our Insurance 101 issue is comprised of full-length features on Auto insurance, Reinsurance, and Umbrella coverage, in addition to a synopsis of property/casualty insurance basics as an excerpt from the before-mentioned Insurance Handbook.

In addition to our features, we highlight the importance of internships for budding insurance professionals and how to take control of your future by committing to lifelong learning within our Career Development columns. In our Association Management columns, we ask about the strength of your leadership ‘bench’, share best practices for membership recruitment by the amazing members of the Insurance Professionals of Mercer County, and proudly review the details of our first ever IAIP + GIS Job Shadow program. Lastly, in Industry Trends, we cover the intriguing and exciting topics of volcanoes, drones and workplace violence.

In the electronic Fall/Winter issue of Today’s Insurance Professionals, as we get back to the basics of the constantly changing insurance and risk management industry, we invite you—IAIP members and subscribers—share this issue with young, new insurance professionals and/or customers to provide them a background of some of the basic aspects and terminology of the insurance industry.

Remember to offer your thoughts, ideas and best practices on our social media sites Facebook, Twitter and especially our NEW LinkedIn group, so that we may continue …
When I started my professional career, it was requested that we revisit customer service skills and business etiquette every couple of years. Today, these skills are revisited with every new process or procedure our companies implement, which is frequent these days. The basics of our business, any business for that matter, is the foundation that business professionals expound on to build their careers and expand their skill sets. As the “basics” change, so must we.

Emerging technologies have been so thoroughly infused into the daily work of business professionals that in order to stay relevant and on top of one’s game, we must revisit the “new” basics of our business on a regular basis. Stop and think for a moment—have you ever stepped away from a daily process, if only for a few days, only to find that when you return you would need to be updated, even re-trained?

Insurance is a business that must change as quickly as the products we insure. Today the purchases consumers make can be outdated before they leave the store. Many of today’s electronics are outdated, even obsolete, after less than a year on the market—what used to be the “it” electronics—film cameras and then camcorders, for example. Today, action shots of family and friends are posted via social media or sent via Snapchat. Gone are printed photographs. Even some professional photographers will use their phone cameras.

The introduction of new products and services are constant. Our customer’s demands increase with every new product or new option made available to them. In this issue you will be able to revisit and renew your knowledge of the basics of insurance. This issue shares everything from job shadowing techniques and what new insurance professionals want, to what seasoned professionals need to know in today’s professional market. This issue is all about the new normal. The future is here, and forever evolving. For professionals to stay relevant in their careers, they must revisit, adapt, and change their business practices, continue to learn and educate, and adjust their strategies and focus.

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Angie Sullivan, AIC, CIIP, CLP
IAIP President 2018-2019
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Insurance Professionals
GET FIT AND HEALTHY:

IAIP’s FIT Task Force

IAIP’s FIT Insurance Professionals Task Force is only five years young but continues to grow in popularity and influence among our organization’s members. Nachole Gillis and Tammy Lawrey are serving as co-chairs for the 2018-2019 term with the following task force members: Alesha Raney, Jennifer Christensen, Sandy Malone, Katharine Nohr, Donna Rice, Deb Oldfield, Michele Redman, Keri Herlong, and Connie Rose.

The committee is tasked with developing fitness and health challenges for IAIP’s members and running the FIT activities at the annual international convention.

The kick off challenge for the year was the 2nd Annual October Step Challenge. Members record the number of steps taken during the month and submit an accounting. The winner will be announced in the Connections eNewsletter.

In anticipation of June’s convention in Reno, Nevada, the task force is promoting its “How are You Getting to Reno?” challenge. On October 15th we began our virtual journey from St. Louis, Missouri to Reno, Nevada—the location of the 2019 convention. You can traverse the roads and byways alone or as a team by walking, running, hiking, cycling, swimming, skating, skiing, walking on your hands, or whatever creative athletic means you can come up with. You can track your journey by liking and entering your progress on the IAIP FIT Task Force Facebook page.

The task force is committed to motivating and assisting IAIP members in meeting their fitness and health goals. To that end, we are in the process of developing a program to begin in January that will encourage members to commit to a 30-day “Biggest Winner” competition. It will track members’ diet and exercise success in terms of number of inches lost, which best reflects the outcome of fitness goals. Look for the details of this challenge in future Connections eNewsletters and on our Facebook page.

The task force is planning fun fitness activities for the Reno convention. In the past, Danny Douglas has volunteered to teach yoga, Lisa Hardin has taught self defense, and Katharine Nohr and Sandy Malone have led swim classes. We hope to raise funds to compensate instructors and pay for expenses related to FIT activities. Thank you to Honolulu Association of Insurance Professionals and to Sandy Malone for their monetary contributions. If you or your local association, Council, or Region is interested in making a donation of prizes or money, please contact Nachole Gillis or Tammy Lawrey.

If you’ve been motivated or your life has changed because of the FIT Insurance Professionals program, please share your story on our Facebook page or contact one of our task force members. Remember: 30 minutes of exercise can protect your body for life and being lean and healthy is a lifestyle. So, get FIT!
How Strong is Your Leadership Bench?

Many times, the coaches with the stronger benches are more successful. And with more and more talk about the need for the leaders of organizations to also be great coaches, it is interesting to consider the sports analogy of building a bench with that of planning for future leaders of your organization. So many organizations are very sophisticated in how they control their financials and their processes. Yet the same organizations may fall down in developing one of their most important assets—people. And people are the ones who drive those numbers and processes. Many organizations unfortunately look at their “bench strength” only when there is an opening.

Developing strong leadership at the top of the organization should not be a reaction; it should be a continual process that is driven by the people at the top of the organization. It should be a culture within the organization that focuses on developing talent at all levels of the organization, and especially putting people in position to take the key positions of leadership when they become available. But unfortunately, all too many times, the selection process is a knee jerk response to an unanticipated opening. Then, the person taking the position may not have all the skills needed for the position. Talk about setting up the organization for failure, or at least a few hiccups!

So, how do we develop that bench?

First, start by identifying the key positions in the organization. When you select these positions, it is important to determine that they are mission critical to the success of the organization. These positions would include the president and CEO, and most likely, key direct reports. Once these key positions are identified, there should be common agreement all on the skill sets, attitudes and aptitudes that are required for each of those positions. Sometimes, these are referred to as “competencies”. Essentially it is the skills that are needed to do a magnificent job in these positions.

Having identified the mission-critical positions and their skill sets, it becomes a much easier job to identify the bench—the people who have potential to fill these positions over time, and to identify big gaps in their current skill levels and the desired skill levels of these mission-critical positions. Enter the process of developing your bench. This is where an organization can creatively and actively use various methods to enable “the bench” to master the skills that are needed for them to be a future leader of the organization. Whether it is classroom training, job switching, project assignments, coaching, mentoring, the candidates will grow with each new experience.

Why is it that so many companies fall down all in this mission-critical opportunity? My guess is that you will find people in the upper levels of most organizations talking a good game about their leadership development, but when it comes to the actual culture, and what is actually being practiced, you may find something very different. In the organizations that are successfully developing their benches, there are regular checkpoints with the candidates. Progress is tracked. And candidates are continually challenged to take on new and different opportunities so that they can experience the skill development that is needed to have a bench for these positions. And yes, the candidates know who they are. It is not a secret list chosen by the CEO.

One of the key elements in the evaluation of the candidates is their initiative and passion about developing themselves. This is not something that just the organization or the mentors provide for these candidates. So, even though they have been selected and are sitting on the “leadership bench,” it is really up to them to drive their own leadership development with the support of the organization.

I recently got a panic phone call from someone wanting to hire me as her coach. The CFO position was opening up, and she, as the controller, wanted to work with me to assure that she would get the job. The company had already announced that they were also going to interview candidates from the outside. Hmmmm… interesting succession plan. We worked together and did several strategic actions to help her be top of mind. But, had we been working together in advance of the opening, or had she been developing herself for that opening, or, had the company had an active succession plan in place, the issue of who would be the replacement may have been much easier for that organization to decide. (Ultimately, hooray—she got the job!)

Many successful organizations have selection processes to establish their list of candidates. It is key to place people on this committee to assure that these folks are unbiased and fair in their selections. They also need to select based on the skills needed, rather than longevity with the organization or other factors unrelated to their actual ability to perform in mission-critical positions. When you have this type of mindset in place, filling open positions can be an opportunity that the organization celebrates, rather than fears. It is essentially a proactive form of succession planning. Through the regular development of these candidates, ideally, they should be able to walk into the new positions without skipping a step.

So, how many skipped steps will you have the next time one of your top positions comes available, coach?

About the Author

Marsha Egan is CEO of the professional coaching firm, The Egan Group, Inc, which she started. An ATHENA Foundation Award recipient, one of PA’s 50 Best Women in Business, and 25-year veteran of corporate and volunteer America, Ms. Egan intuitively reinvents leadership, by igniting leaders and entrepreneurs with positive change and innovation, all devoted to enhancing their productivity, progress and prosperity. Focused on enabling growth through people, she applies her experience and skills to helping her clients achieve their personal, professional, and organizational goals.
MEMBERSHIP RECRUITMENT BEST PRACTICES:

A Case Study of Insurance Professionals of Mercer County

by: Barbara Chintala AIS, AINS, API, CIIP
and Theresa Garcia, Insurance Professionals of Mercer County
What is in it for me? Why your organization? I am retired.

These are common objections that an association may hear when they are recruiting new members or trying to retain existing members. For an association to be successful, it relies on its members. It is imperative that we find ways to increase and retain members.

Our association, Insurance Professionals of Mercer County (IPMC), started asking ourselves what we can do to gain new members and maintain existing members while taking into consideration members’ needs. Each member may have different goals and needs of a professional organization, depending on where they are in life and their career. It is just as important to figure out the membership goals of your seasoned members as it is for new members. The seasoned members are your association’s mentors and ambassadors.

As an association, we were challenged with how to keep members engaged despite negative financial situations, competition with other insurance-related associations, job change and retirement. We realized we needed to stand out and give people a reason to choose us. In addition, we wanted to satisfy the specific needs potential new members were looking to fulfill within the organization. Not everyone needs or wants insurance or career-related education, but they want to feel included and important.

We looked at our membership needs for growth and retention and implemented the following:

**COMMUNITY AFFAIRS:** A new committee was formed with the intention of focusing on the needs of members that may no longer be in the insurance industry due to job change or retirement. Our goal was to provide them a purpose within our association and help the community at the same time. We found that once this committee was started it met the needs of other members that were looking to help in the community but did not know where nor how. It made us stand out from other organizations. New members joined just because of this new committee and the events we held, without even attending a regular meeting. We began to promote this as a reason to join. If they want to be involved in these events they need to be a member. We are hopeful that an emphasis on community service will attract new members, especially millennials.

As team building exercises during the business meeting we wrap utensils for Trenton Area Soup Kitchen (TASK). We pull in new members, guests and seasoned members to help do this and talk about the association. At Christmas, we collect items for the area nursing home such as books, costume jewelry, scarves, puzzles, etc. Each year we select a charity and throughout the year we try to promote them by collecting donations and attending activities they host.

**BUSINESS MEETINGS:** If you make the meeting topics interesting you not only get higher member attendance, but more guest attendance too. We restructured our business meetings to include self-improvement and safety speakers in addition to insurance-related speakers. This was done by alternating the topic each month (one month we have an insurance-related topic—the next month we have a non-insurance related topic). As a result, meeting attendance increased (for members and guests) and that lead to new members and retention of existing members. People like variety and appreciate that we make the effort to offer something for everyone.

Some non-insurance topics offered:

- League of Women Voters
- American Red Cross
- Fire Safety
- AED and K9 Demonstration

**PARTNERSHIPS:** Partnering with insurance companies for community events allowed us to network in a flexible and friendly environment while working toward a common goal. As we continue to do these events, it encourages other members to reach out to their employers to set up an opportunity to partner with our association. We have seen membership increase due to these events and members becoming more involved in the association and at times taking the lead. These can be large or small group events.
We were approached by an insurance company to form a partnership for mentorship. We decided to make initial introductions in a group setting in an effort to make employees and members more comfortable. We utilized our Community Affairs Committee to do this. During this event we worked together as teams to pack over 200 snack bags to support Homefront afterschool programs. As part of this event, teambuilding and introduction activities were held, along with the opportunity for us to speak about IAIP. We invited all guests in attendance to attend an IPMC meeting to see what we were all about. We had approximately 50 people in attendance including members and the company's employees.

The second event idea was introduced by a member after what they experienced at the first event. They approached another insurance company to check into potentially doing the same type of event. This event was on a much smaller scale. There were approximately 10 people in attendance and resulted in wrapping approximately 100 utensils for TASK. Due to the small size of this group, we did not do teambuilding exercises, but we still talked about IAIP and invited all to attend a future association meeting. Two things resulted from this event. First, the building manager offered to let us use the building at any time for such an event. He was impressed with what was taking place. Second, attendees purchased tickets to support an upcoming Spring Tea event we were hosting.

**TEAM ENVIRONMENT:** Teamwork was a focus point for our association. We worked together to get things done by delegating to others. This prompted more involvement and made people feel they had a purpose. The team strategy promoted members taking it upon themselves to promote IAIP. Our members felt they were helping the organization obtain their goals, and during this they reaffirmed what made them join the association in the first place. They may not have been on the membership committee, but they became ambassadors of IPMC.

**MENTORING:** Mentoring was encouraged throughout this process in a non-hostile environment. We always toss out acronyms such as CIIP, CLP, CWC. We now make a conscious effort to stop and take a moment to explain each IAIP acronym to ease any confusion. This could be for new members and members that are interested in a position within the association. If someone was interested in a position, they were matched up with the person currently performing the role to better enable them to decide if they wanted to pursue it further. More members became involved and once involved they continued to stay involved and thus remain a member.

**EDUCATION:** Another way we reach out to potential new members is through the continuing education classes that we offer several times a year. We invite non-member employees from local insurance agencies and companies. This provides an opportunity for the individual to learn about our association. At the end of each course we provide a survey to assess our class, coursework, and location and to determine if anyone is interested in learning more about IAIP.

**IAIP TOOL KITS:** IAIP has extensive tool kits available for associations to leverage and we took advantage of them. One item that we leveraged within the IAIP website was the “refer a friend”. If we had a potential prospect, we immediately sent an email via the “refer a friend” template. This started the first interaction with IAIP. The membership chair for the Region sends a welcoming letter for new members and our IPMC President does the same. The welcome letter sent by the association President is personalized for each new member. The letter references how we became connected and provides information on our association including links to our Facebook page. Be welcoming—it is all about the first impression.

**MEMBERSHIP CONTEST:** A membership contest was implemented. The member who recruited the most new members by a certain date received a gift card. This contest started our members talking about their IAIP experiences within their workplaces and it was successful in promoting awareness of IAIP.

**PUBLIC RELATIONS:** We market our association via various platforms. We add guests to our mailing lists and our Facebook site. It is important to promote your association and get your name out there in the community. On Facebook we post what has happened at recent events, announce what is coming up, and communicate what is happening now. We add potential members to this group to enable them to see what we are doing with our education courses, meetings and Community Affairs events. We have had people contact us on our Facebook postings to find out more about IPMC. Anyone who shows an interest in IAIP at our events is added to our mailing list and they are invited to meetings and future events.

Implementing the above concepts enabled our organization to retain its existing members and welcome 18 new members from June of 2017 until June of 2018. These are just some examples of things that your association can do to grow and retain your members. Keep things exciting, interesting and listen to your members’ needs. Give them a reason to come to the meetings, make them feel welcome, and make them feel IAIP is where they want and need to be.
“Do not go where the path may lead, go instead where there is no path and leave a trail.”

– Ralph Waldo Emerson

West Bend is proud to support the International Association of Insurance Professionals and their goal of providing our industry with a network of insurance professionals who help each other, teach each other, and support each other.

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Gamma Iota Sigma (GIS) is an educational business fraternity for students of insurance, risk management and actuarial science. Since 1965, GIS has pursued a mission to promote and encourage students interested in the insurance industry as a profession; and it has grown to over 75 chapters with more than 4,000 student members and an alumni population of over 25,000. As an industry partner, IAIP has had a long-standing relationship with GIS, offering free limited memberships to students; and IAIP is a proud sponsor at the GIS International Convention, providing the opportunity to interact with over 600 students, faculty and insurance leaders.

Each year the IAIP Student Task Force looks at different ways to engage students and faculty. They have added new benefits to the GIS membership model including student/faculty rates for the IAIP International Convention and a free limited faculty membership. This past year was no different, as the IAIP Student Task Force continued looking for opportunities for GIS students to get involved at the local level.

In the spring of 2018, Chelle Carey and the IAIP Student Task Force started exploring the idea of creating a job shadow program with the University of Central Oklahoma’s GIS chapter. Working with university faculty to recruit students for IAIP’s job shadow program, GIS faculty advisor Beverly Frickel shared, “the idea of a job shadow is to give students a broader view of the insurance industry. Too many times I see students pigeonhole themselves too early in their education. They need to take a step back to learn all different areas of insurance.” With this understanding, the committee worked to define the job shadow experience as a half-day opportunity for GIS students to go behind-the-scenes at a local company and explore different areas of insurance and risk management. As the idea started to take shape, the then Region VI Vice President, Kristina Donaldson, was included in the conversation to help identify a local company who would be willing to take on the challenge.

Enter Rich & Cartmill (rcins.com). One of the largest, privately-held independent agencies in the country, Rich & Cartmill of Oklahoma City stepped up to the opportunity to be the first host company for IAIP’s Job Shadow Program. Working closely with the Student Task Force, Rich & Cartmill designed a program for the Central Oklahoma students centering around the daily activities of producers, the rating department, commercial lines, personal lines and even included a resume review.
On September 7, three students from the University of Central Oklahoma visited the offices of Rich & Cartmill in Oklahoma City. The students toured the office and spent one-on-one time with producers and account managers reviewing aspects of personal and commercial insurance, including property and casualty and life and health. They also reviewed policy processing as well as underwriting phases of new accounts. University of Central Oklahoma's student Kiersten Haws shared, “I definitely learned some things about the insurance industry while touring Rich & Cartmill. I knew insurance had a lot to offer, but this experience opened my eyes to all the opportunities. I learned that there is more to insurance than just selling it.”

While at Rich & Cartmill, the students indicated they enjoyed seeing how each department works together at the agency, visiting with the employees and experiencing the company culture. Haws went on to share, “I was able to interact with several staff members who all do very different jobs. I spoke with some that worked in the commercial lines as well as the personal lines and gained a better understanding of which side I prefer. After this experience, I think I would prefer personal lines of insurance and taking care of the customer.”

The new Job Shadow Program was a first of its kind for IAIP, but it doesn’t stop there! With GIS chapters located across the nation, the next IAIP Job Shadow could be hosted by your company. If you’re interested in bringing the next generation of insurance leaders through the doors of your company, please let us know. The IAIP Student Task Force is ready to help you create a unique opportunity to bridge the talent gap for your employer and share the power of IAIP.

The IAIP Student Task Force committee would like to thank Beverly Frickel, GIS faculty advisor for Central Oklahoma University for her endless support and guidance and IAIP member Kerri Shelton, Operations Manager for Rich & Cartmill who worked tirelessly within her company to make the day a success.

If you are interested in learning more about the IAIP + GIS Job Shadow Program, please contact Amanda Hammerli at membership@iaip-ins.org.
How Internships Can Lead College Students to the Insurance Industry

Many students enter college with undecided majors. Statistics show that 50-80% of college students change their major at least once in their undergraduate studies. You can get confirmation of this by asking a handful of your colleagues and many will share their change of direction. If you have been in the insurance business for 25 or more years, my guess is that you did not major in insurance or risk management. Most of my generation and those before them “fell” into insurance. What does this have to do with internships? It is the undecided students or the students that may change their major that will give insurance agencies and companies additional opportunities to recruit and show these students just how great our industry is. Many colleges and universities have great risk management programs today, some programs dating back to 1938. We are seeing more and more risk management graduates entering the insurance industry, but those numbers are still not enough to help our aging industry. To learn more about college insurance programs visit investprogram.org.

The 2018 Insurance Industry Employment and Hiring Outlook Survey by GreatInsuranceJobs.com shows that of the companies interviewed, a top item is to enhance recruiting efforts to replace aging talent by expanding internship programs. As these companies expand internship programs, this gives opportunities to more students to “try it on” and points them in the direction of our industry. We, as insurance professionals, can help by watching and being prepared to discuss our industry and internship programs with future college students, current college students and parents and grandparents of college students. Family, friends, professors and past employers can help with internship opportunities. Many internships are secured through family connections. Another great place for a college student to investigate internships is at their school’s career fair. Insurance companies and agencies conduct informal interviews to help fill their internship slots. College advisors and career centers (such as the IAIP Career Center: naiw-jobs.careerwebsite.com) are there to help as well. Another resource is internships.com/insurance.

Many states have initiatives to promote the insurance industry to high school and college students. One that has made great progress over the past few years is Insuring Mi Future. They have put together high school programs that partner school districts with insurance companies and a college or university to offer training, and the potential to earn free college credits while in high school. To learn more about their program visit insuringmifuture.org. Another program, launched in 2014, is InsureMyPath.org powered by The Institutes. This is a nationwide program with a mission to inform and inspire the industry’s next generation of employees. Their website offers career planning tools, education and experience assistance, and descriptions of insurance career roles. They have an active blog with helpful tips for resumes, cover letters, networking and more. As companies expand their internship programs, we need to spread the word and help lead and encourage these young people into a rewarding career in the insurance industry. Let’s help them “Try It On!”

About the Author
Cherri L. Harris, MSBA, CPIA, CLP, CIIP is a Territory Sales Manager for Donegal Insurance Group. She has been in the insurance industry for 32 years. She started her insurance career as a high school co-op student at the local independent insurance agency, thus her passion to promote the industry to students. She has been a member of Insurance Professionals since 2009 serving as past Michigan Council Director and past President of The Insurance Association of Metropolitan Detroit. She recently relocated to Georgia and is a member of Insurance Professionals of Atlanta.

“My advice to future interns would be: Don’t ever turn down an opportunity to learn about the insurance industry. Take as many educational classes offered, attend networking events, anything that helps introduce you to the industry and products offered in your department.”

–Julia Martello
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Watching *Face the Nation* this morning, I was surprised (and not) when hearing a guest speak about the labor force of the future, and the prospects for long-term employment for today’s worker. His premise is that within three years, 50% of today’s workforce will earn their livelihood through self-employment; the gig economy we hear about, usually in the context of younger generations. In a country where once, the average tenure of employment was 40 years with the same company, today it is closer to four years. The security of long-term employment has gone by the wayside in these times of struggling economy, corporate profits, high-tech globalization, and ruthless competition.

What is an American worker to do when s/he faces daily competition for a living wage? We quickly learn how little control we have over our job security when businesses are in a constant state of flux, consolidating their physical presences, aggressively pursuing opportunities to leverage artificial intelligence and the global workforce to do the jobs we do today, rightsizing their workforce, and upping the requirements for technical expertise, business and leadership skills, and innovative thinking for even their least technical positions!

The situation may, on the surface, seem dire. But, the good news is it’s anything but! Just as businesses must be more competitive to thrive, the American worker can do the same and, also thrive.

Employees with higher levels of education can more efficiently solve problems, find innovative solutions, and are therefore believed to be more productive to business. American employers are willing to pay for employees who enter the workforce with more education and will consistently value them more highly if they maintain high levels of relevant education. Lifelong learning makes workers more desirable, places them in greater demand, and rewards them with significantly higher earning power! When many industries struggle to find and keep proficient workers with specialized knowledge, a highly educated worker possesses great control over his or her career and earning power!
I already know what I need to do my job.
If you're an insurance professional, you have a lot to learn! Every day the loss exposures facing the insurance industry change with new technologies, new products and services, new business models, new regulations, and a new international or political landscape. The world as it existed when you entered your position no longer exists. Today's risk environment is very different, and insurance professionals must be prepared for it as it exists today, but equally important, as it will exist tomorrow. While many insurance professionals prepared for their roles by studying risks and exposures associated with traditional business models, that preparation certainly didn't contemplate concepts like smart homes, artificial intelligence, data breach, ransomware, ride or property sharing, new energy sources such as wind turbines, or fracking, autonomous vehicles and space travel. As quickly as we prepare ourselves for today, our knowledge and experience become obsolete as the world around us changes. Only through continuing education can we remain relevant and productive to our employers, our clients, and our industry.

I can't afford to invest in education.
The question you should ask is whether you can afford to NOT invest in continuing education! Educated workers have significantly greater employment potential and are more desirable to employers. In situations where companies are forced to downsize, employees often find themselves in competition with one another to keep the jobs that remain. Will the employer retain the employee who has constantly refreshed his or her skills and who is better equipped to manage the new exposures of the day, or are they likely to retain the employee who has not invested in bettering him or herself?

If an educated employee finds themselves in the unfortunate position of losing their job, they are more marketable and generally experience career growth in the positions that follow – including greater opportunities, greater responsibility, higher pay. Their time between positions is reduced, as the education illustrated on their resumes is more likely to gain attention and invitations for job interviews, and the commitment to ongoing education they communicate to potential employers is likely to gain them opportunities not readily available to the uneducated or unprepared.

Still not convinced that an investment in education results in financial gain? Statistics show that communities that contain a greater number of educated professionals grow economically. Geographic centers of educated workers result in businesses moving to those regions, offering better positions that offer better career opportunities and pay.

My employer doesn’t reimburse me for education.
That statement may be true, but it’s a lot like saying the weather is cold. The weather may be cold to some and less cold to others, but that becomes irrelevant when you must leave the comfort of your home to take care of your day-to-day business. When the temperature isn’t ideal, we adapt by adding layers of clothing. We don’t allow the weather to get in the way of conducting the business of our lives.

The same is true with education. Continuing education is OUR responsibility to obtain; it cannot be infused in us through osmosis or other means. It contributes to our well-being, our earning potential, our career opportunities, and our ability to remain relevant during changing times. Those who aspire to become doctors generally take personal responsibility for preparing themselves for the positions they aspire to. An aspiring doctor does not approach a hospital expecting the hospital to pay for his or her medical school. Likewise, we insurance professionals cannot expect others to prepare us with the knowledge we need to excel and grow in our careers. It's up to each of us to invest in ourselves, if others will not, and provide ourselves with the knowledge, preparation, and skills that will allow us to reach our greatest potential!

I don't have time; I'm busy with friends and family.
Time is the new currency. In today’s rushed society, how does a working man or woman find room in the day for educational pursuits? It’s never easy to find time in an already-busy day, but when it comes to education, it’s easier than it may seem. Leveraging newer technologies, an individual can access education opportunities through classroom, online webinar, video conference, and even by smartphone! Education opportunities range from traditional semester-focused courses to webinars of an hour or less, to subject matter experts speaking for 30-minute presentations at monthly meetings. No matter what time constraints confront an individual, there are educational opportunities that will suit their lifestyle.

Worried that your friends and family may not understand if your schedule becomes just a little busier? You’d be surprised how supportive others may be. Higher levels of education foster more meaningful relationships. Educated people are often well rounded and interesting. Through education, they’ve confronted more divergent views and have heard ideas, facts, and positions that are different from their own. With the education they’ve gained, they’re prepared to have meaningful discussion about current events, technology, or issues facing their profession. Lifelong learners illustrate a natural curiosity that helps them to be more interesting, well rounded individuals. Their relationships with others can only benefit.

If, after reading this article, you’re still thinking that continuing education isn’t for you, then the last thing you need to know is YOU'RE WORTH IT! Thanks to technology advancements, the divergent demands of multiple generations in the workforce, and to organizations like IAIP there are more opportunities for lifelong learning than ever before. The next time you receive an invitation to an event to hear a speaker, or to take a new online course or webinar, don’t let the opportunity slip away.

Take the next step to achieving your career potential, stay ahead of your competition, and take control of your future through IAIP’s many learning opportunities.

About the Author
Cindy Prud’homme is Manager of IT Communications & Planning for AmeriTrust Group, in Southfield, Michigan. She has 30+ years of experience in the insurance industry, with an accounting, systems, and operations background. She holds the AINS, CPIA, CIIP and CLP designations and is a licensed P&C producer in the state of Michigan. Cindy has taken Confidence While Communicating two times and has taught CWC to AmeriTrust employees, making this IAIP flagship product part of their professional development arsenal. Cindy also teaches a variety of IAIP programs to members and non-members, including the Certified Leadership Professional courses, Selling Essentials Series, courses from our Business Skills inventory, and the I Can and I Can A Step Above courses.
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Volcanoes, Hot Lava & Insurance Claims

by: Christine G. Barlow, CPCU

Kilauea volcano erupted on Hawaii’s Big Island causing damage in many areas. Residents were advised to evacuate, and they were told to expect to be out of their homes for at least two weeks. According to some reports, the number of homes destroyed by lava shooting out of 10 openings in the ground climbed to at least 26, and five other structures have also been destroyed.

Volcanoes are spectacular and are one of the more unusual claims as they tend to occur only in certain states. In addition to Hawaii, the states at risk for volcano damage are Oregon, Alaska, California, Washington and Wyoming, due to their location along certain tectonic plates. There are 500 active volcanoes throughout the world, 500 dormant and many extinct. For a volcano to be considered active, it must have had an eruption within recorded history.

A HOST OF HAZARDS

Lava, smoke and ash are the first things that come to mind when volcanoes are mentioned, but there are other hazards as well. Earthquakes, flash floods, mudslides, rock falls and explosions can all cause damage from a volcano. Even though the damage is caused by a volcano, land shock waves or tremors, before, during or after a volcanic eruption, mudslides and flash floods are excluded, but fire is covered.

Rock falls pose an interesting situation. When the lava is molten and moving through an area, it isn’t earth movement, as lava is molten rock, not earth. Earth is defined in part as cultivable soil or firm land. Once the lava has hardened, however, it becomes rock; if it then rolls down a hill and destroys property, it would then be excluded.

Under debris removal, the removal of ash, dust or particles from a volcanic eruption is covered as long as the ash, dust or particles cause a direct loss to the property. If enough ash accumulates on the roof to cause it to collapse, then the cost to remove the ash as well as repair the roof is covered. Dry ash is 10 times as dense as fresh snow, and wet ash is 20 times as dense as fresh snow. When Mt. St. Helens erupted, ash accumulated in some areas up to five inches. Gutters can be filled with ash and pulled off the house, and ash can clog equipment. If the ash just accumulates on the walkway, that has caused no direct damage and therefore removal would not be covered.

VOLCANO EXPLOSIVITY INDEX

The Volcano Explosivity Index is a relative measure of the explosiveness of volcanic eruptions. It measures how much material is ejected, how high the material is thrown into the atmosphere, and how often eruptions occur. On a scale from 0 to 8, the index reads as follows:

0 = non-explosive; plume height < 100 m; daily (Kilauea)
1 = gentle; plume 100–1000 m; daily (Stromboli)
2 = explosive; plume 1–5 km; every 2 weeks (Galeras, 1993)
3 = severe; 3–15 km; yearly (Ruiz, 1985)
4 = cataclysmic; plume 10–25 km; 10s of years (Galunggung, 1982)
5 = paroxysmal; plume > 25 km; 100s of years (St. Helens, 1981)
6 = colossal; > 25 km; 100s of years (Krakatau, 1883)
7 = super-colossal; > 25 km; 1000s of years (Tambora, 1815)
8 = mega-colossal; > 25 km; 10,000s of years (Yellowstone, Pleistocene era)

VOLCANO PREPARATION

There are things you can do to prepare for a volcano.

• Keep goggles and a mask in an emergency kit, with a flashlight and a working battery-operated radio.
• Close all doors and windows to avoid ash from getting inside.
• Always stay indoors unless evacuation is necessary. Dangerous gases can be released from fissures in the ground, and there are concerns about sulfur dioxide with some eruptions. The gas can burn the nose and throat, and cause breathing difficulties. High levels of the gas can be fatal. If evacuation is necessary, follow routes provided by authorities to avoid danger.
• Keep a good inventory of personal items in the home, in order for adequate replacement in the case of destruction.
• Prepare for disasters that can accompany volcanic eruptions such as flooding, fires, and earthquakes. Avoid low-lying areas because lava and mudflows are more likely in those areas.
The use of drones can be dated back as early as 1849 when Austrians attached bombs to balloons to attack Venice. During the Spanish-American War, in 1898, the United States attached cameras to kites for surveillance. During WWI, the Dayton-Wright Airplane Company invented a pilotless aerial torpedo that would explode at a preset time. More emerged during WWII, but they were little more than remote-controlled airplanes until the Vietnam War. The use of drones by the military is common with drones consistently being deployed for surveillance and air strikes in war zones.

by: Pamela Holt, AINS, AIS, CIIP, DAE, CLP and
Sue Quimby, CPCU, AU, CIC, CPIW, DAE of MSO, Inc.
Commercial and personal use of drones or Unmanned Aerial Vehicles (UAVs) is rising in popularity. It is estimated that by 2020 there will be 30,000 drones in use for all types of business operations, and spending will exceed $89 billion in the next 10 years. The FAA has allocated more than $63 billion to upgrade its tracking systems to handle the rising use of drones. Now that non-military use is growing, the FAA has become central to the future of drone use. In the United States, there are not many regulations specific to drones. In February 2015 the FAA released its proposed rules. The guidance will keep the more advanced drone applications, such as package delivery, on standby, as there is a line-of-sight provision that always requires the operator to be able to view the drone without the use of binoculars. Other key elements of the proposal include operator certification, and limits flying to daylight hours.

The National Transportation Safety Bureau categorized drones as aircraft subject to the authority of the FAA. One of the major concerns about the use of drones is privacy. UAVs can carry intrusive technology including license plate readers, facial recognition software, and infrared cameras.

Drones have the potential to perform a multitude of tasks that are very beneficial to firefighters, police, military, and yes, insurance companies. Another area of rapid growth in drone usage is farming. Farmers and ranchers have a tough job keeping up with many acres of crops or herds of cattle. Drones can make their jobs easier with aerial surveys of crops and to locate the herds. The drones can also be used to spray the crops much faster—it would take a drone approximately six minutes to spray two acres. The mobility and agility of a drone can benefit the farmer and rancher greatly. Police departments all over the country are buying drones to use for surveillance activities. The FBI also has started to use drones to help in fighting crime. Like police, border patrol agencies are using drones for law enforcement. The entire U.S./Mexican border has been patrolled by drones for a number of years.

Drones are becoming an incredibly useful tool for firefighters. Drones are used to spot wildfires and to track the movement of the fire. Drones can even fight fires, keeping firefighters out of danger. There are still some areas that need to be worked out with the FAA, but firefighters are optimistic about the future use of drones. Offshore oil rigs are incredibly difficult to maintain. There are many potentially dangerous hazards confronted by workers. Drones could be a huge help because they can fly into hard-to-reach areas.

Amazon has been discussing delivery of packages by drones. UAVs can transport medicine and vaccines, and retrieve medical samples, into and out of remote or otherwise inaccessible regions. In 2014, a Dutch student created a prototype ‘Ambulance drone’ which would be capable of rapidly delivering defibrillators and include live stream communication capability allowing paramedics to remotely observe and instruct on-scene individuals in how to use the defibrillators.

With the rapid demise of snail mail and the growth of e-commerce, postal companies have been forced to seek new ways to deliver the mail. Different postal companies from Australia, Switzerland, Germany, Singapore and Ukraine have undertaken various drone trials as they test the feasibility and profitability of unmanned delivery drone services.

A passenger drone (also known as a drone taxi, flying taxi, or pilotless helicopter) is a type of UAV that carries passengers. The first passenger drone was introduced at the Consumers Electronics Show (CES) 2016 by Chinese entrepreneurs and is called the Ehang 184.

The future of passenger drones remains uncertain since this technology is so new. Innovation in aerial drone technology, and in aerial traffic coordination, control, and collision-avoidance could result in rapid growth of passenger drones for civilian travel. Several companies are exploring the use of passenger drones as air-taxis and for air-ambulance services. There are many challenges that need to be addressed by the developers of the passenger drone. These would include noise, small useful load, short flight times, airspace regulations, and scarce data on both safety and general operation.

What are some of the ways drones can be used in the insurance industry? Drones are small and are very maneuverable, can go anywhere since there is no pilot to be concerned about safety, can take off anywhere without the use of a runway, and drones can cover a large area in a short amount of time.

Roof Damage Inspections: One of the most common uses for drones by insurers is conducting rooftop inspections. Roofs are difficult and hazardous to inspect if the roof is steep or has suffered fire damage. An adjuster can avoid climbing onto a roof by using a drone equipped with a camera. Images obtained with a drone can be very detailed. Also, a drone can photograph the entire roof, including parts of the structure that aren’t accessible to a human.

Other Damage Inspections: The use of drones to inspect large buildings or complexes is faster and safer for the insurance inspector.

Boiler Inspections: State laws require periodic inspections of boilers and pressure vessels. Some insurers that offer equipment breakdown are using drones to inspect boilers. Commercial boilers can be several stories high and can be very difficult to inspect because of their size and dark interior.

Post Disaster Claims Inspections: Drones are valuable for inspecting areas affected by a major event, such as a flood or earthquake. Access to these areas may be restricted by civil authorities and may be too dangerous for adjusters to enter. The use of camera-equipped drones to capture still photos or videos of the damaged property can be used to process claims.

Insurance Inspections: Another possible use for drones is to conduct property insurance inspections. Drones could be especially useful if the insured property is difficult to reach. Certain issues may be easier to spot from the air than from the ground. A drone’s camera can be equipped with special lenses to detect problems that aren’t visible to the human eye. This also helps in the risk management and pricing of the coverage. According to Cognizant, drone usage is predicted to make claims adjusters workflow 40-50% more efficient by speeding up the process for the insured allowing them to receive their settlement much quicker.

Sources: The National Transportation Safety Bureau, FAA and Cognizant.com
security needed? When will employees be healthy enough to return to work so business can resume? Will I recover lost business income if I cannot continue operations?

Even if you get satisfactory answers to most of these questions, relying on your standard business insurance policies to cover your losses might leave you paying the bills. If you think your standard business policies will cover these expenses, you may want to think again. As an insurance and risk management professional, I’ve thoroughly analyzed traditional business policies and have found a number of shocking and expensive gaps in coverage.

Workers’ Compensation, Business Interruption, and General Liability insurance are usually insufficient for fully paying all costs related to a workplace violence event. But, there is good news. Workplace Violence Insurance is becoming increasingly available on the market to help your organization recover. Below, I detail some of the most prevalent gaps in various traditional policies and offer some insights on how those can be covered with Workplace Violence insurance.

The Capital Gazette, Sandy Hook, Las Vegas, the Colorado Cinemark—active shooting incidents are becoming more frequent every year. In 2017 alone, there were 346 mass shootings in the United States, compared to 270 in 2014. And as of July 31 of this year, we’ve had 202 incidents.

An active shooter event is just one type of workplace violence for which your business is vulnerable. Every year, two million American workers report having been victims of workplace violence. The cost to organizations is staggering. A single incident can have serious consequences, including lost lives, psychological trauma to victims that can manifest or last months or years after an incident, physical damage to your building, and lost productivity.

If workplace violence does happen in your business, resuming your normal operations after a traumatic attack can be extremely difficult (if not impossible). You would likely face questions such as: Will the police investigation delay my ability to access the premises? How long will my operations be down? Is temporary security needed? When will employees be healthy enough to return to work so business can resume? Will I recover lost business income if I cannot continue operations?

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Workers’ Compensation
If an employee is severely injured—whether by gunshot or other means—that employee will typically be covered by Workers’ Compensation. But what about employees who witnessed their coworker getting shot? Will they have the equanimity to work without fear, to return to everyday life without psychological scarring? Depending in which state your business is operating, Workers’ Compensation might not cover psychiatric care without a physical injury.

Think of the Pine Kirk Nursing Center shooting, which happened just last year: employees barricaded themselves in rooms to hide away—a traumatic experience in which they feared for their lives—while gunshots rang throughout the nursing center. The state they worked in, Ohio, does not provide Workers’ Compensation for mental trauma unless that trauma is caused by a physical injury—so these employees, who remained physically unscathed, had no coverage for the psychiatric care they likely needed.

This is where a good Workplace Violence policy is a must. Regardless of what state your business is in, you would have coverage for the psychiatric medical bills of your employees.

Business Interruption
If you experience a loss and therefore can’t conduct business, you’ll be covered under the Business Interruption section of your Property policy, right? Not necessarily.

What if an event is so horrific that you have to close your business despite the lack of any physical property damage that would force you out of business? That’s a business decision—not a covered loss under the Business Interruption policy. The Pulse Nightclub, for example, closed in 2016 due to its horrific shooting incident. They didn’t close because they couldn’t conduct business; they closed because the shooting was so emotionally devastating for employees and patrons. In this case, Business Interruption coverage was limited at best.

It doesn’t matter what your reason was to close your business, Workplace Violence insurance would pay for lost business income up to your policy limits.

General Liability
General Liability insurance won’t automatically cover third parties. But why should you care? Their expenses are irrelevant to you, right? In most cases, no—you should care very much about the impact this type of event can have on your business partners, vendors, and clients. In addition to being compassionate and a good citizen, covering third parties makes good business sense to avoid lawsuits and protect your reputation.

Lawsuits
If hurt on your premises, third parties are not prohibited from bringing an action against you for negligence. They may allege you didn’t take proper precautions to keep them safe. Lawsuits can last for years, and if they win, your General Liability policy will likely pay for covered damages and expenses up to the policy limits—but you will still likely end up paying for additional expenses that are not covered by General Liability. However, other than possibly defense expenses, the General Liability policy will not pay damages unless you are negligent.

Hence, you would be much better off having Workplace Violence insurance, which is more suitable for covering a wide range of violence-related exposures to third parties.

For instance, if you have a Workplace Violence policy, it will be used first to provide coverage before your General Liability insurance applies, and it protects you whether you are negligent or not. It will allow you to pay medical and funeral expenses, as well as a variety of other third-party expenses, immediately following the incident. This may provide quick and compassionate relief to victims.

Goodwill
You should care about the third party’s well-being and want to respond in a positive way, as it also impacts your reputation. If you have Workplace Violence insurance, the crisis management services will help manage the chaos during the day of the incident and provide medical benefits to third parties who happened to be on your premises at the time. The alternative—leaving medical bills and funeral expenses to victims and their families—can be much worse, causing a public relations nightmare and permanent damage to your brand.

For example, in the wake of the Colorado Cinemark 2012 shooting, while victims were reeling in the painful aftermath of losing loved ones and the trauma of being attacked, medical bills and funeral expenses were piling up. Courts found that Cinemark was not liable—so the bills and expenses were left to the victims. Cinemark’s reputation suffered, and they were also left with paying the legal fees exceeding $700,000.

The solution—Workplace Violence Insurance
These are just a few major exposures that Workplace Violence insurance would cover. But a well-written policy can also include coverage options for temporary security for your business, psychiatric care for witnesses, and media management.

However, not all Workplace Violence policies are equal. A good policy in general should cover exposures for liability and extra expenses related specifically to violent incidents. Make sure to work with an experienced insurance advisor who is familiar with your business to design the right policy for your needs. If you need assistance analyzing your existing coverage and identifying the most appropriate Workplace Violence policy for your business, feel free to reach out to me at ncouncill@psafinancial.com or at 410-825-1411 x101.

About the Author
Frank Giachini, MBA, oversees PSA Insurance & Financial Services Operations, including support for the Wealth Management, Property & Casualty and Employee Benefits Business Units. He has over 25 years of experience in the Property & Casualty and Financial Services Industries. Frank joined PSA in October 2008 after serving in various leadership and management roles for All Risks, Ltd, a national, independently owned Excess & Surplus Lines brokerage headquartered in Maryland. He also served as Vice President for Marsh USA and Zurich Financial Services in various client support and financial management positions.

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WHAT IS REINSURANCE?

by: Kathy Schroeder

Reinsurance has been described as insurance for insurance companies. AM Best, in their glossary of insurance terms, defines reinsurance as follows: in effect, insurance that an insurance company buys for its own protection. The risk of loss is spread so a disproportionately large loss under a single policy doesn’t fall on one company. Reinsurance enables an insurance company to expand its capacity; stabilize its underwriting results; finance its expanding volume; secure catastrophe protection against shock losses; withdraw from a line of business or a geographical area within a specified period.

Therefore, by definition, reinsurance is solely purchased by insurance companies (inclusive of captives and mutuals etc.). The two most widely used forms of reinsurance are facultative and treaty reinsurance. When purchased on an individual account basis it’s called facultative reinsurance placements. Treaty Reinsurance is purchased by insurance companies in order to distribute risk and exposures on whole books of business or classes of business (types of exposures) or even lines of business (types of coverages or perils). Usually, treaty reinsurance is negotiated annually and priced each year based on the past and expected future profitability of the insurance company’s book of business reinsured. Reinsurance prices can directly affect pricing and rates by the insurance company.

When potential losses are greater than what an insurance company can or desires to pay, there are choices the company must make. They can stop writing new business or they can get a partner to share the profits and losses with. A building valued at $10,000,000 is submitted to Mary, an underwriter for ABC Insurance Company. Mary sees that the building is acceptable in every way except her company’s guidelines allow her to only write buildings $5,000,000 or lower. She can decline to quote or submit to her reinsurance company to take part in the insuring of this risk. The sharing of this risk can be on a quota share basis or a layering basis.

On a quota share, the insurance company offers coverage for the $10,000,000. Behind the scenes the reinsurer agrees to take part of every claim for this account on a percentage basis. In this case Mary gets them to take 50% of every claim. The reinsurer will take an agreed premium to do this. So, if a claim occurs that is valued at $6,000,000, ABC Insurance Company will pay the claim and the reinsurer will pay ABC $3,000,000 (for purposes of this example we are ignoring expenses). Mary can also use a layering approach. Again, the insured gets a policy with $10,000,000 limits, but in this case, ABC Insurance Company pays all claims up to $5,000,000. As in the preceding example there is a $6,000,000 loss. With this approach ABC Insurance Company pays $5,000,000 and the reinsurer pays $1,000,000.

Mary realizes that she is spending a lot of time obtaining facultative insurance and goes to management to see if she can get a treaty. If she can get the reinsurer to agree to the same underwriting guidelines she can save a lot of time for both ABC Insurance Company and the reinsurance company.

Reinsurers can agree to take part in books of business instead of individual accounts. This could be done for any line of business they agree on. In this case Mary wants to quote property with higher limits than she can currently. The reinsurer would agree on what could and could not be placed in the treaty. For example, the reinsurer does not want to write any Earthquake or Flood. So, to use the treaty, Mary would have to exclude these coverages. If she chose to quote an account that included Earthquake, it would not be covered by the treaty.

As described above, this could be done for the whole book on a quota-share or layering basis. If they decide on a quota-share basis then all premiums and claims would be shared at the agreed-on percentages.

They could decide to layer the reinsurance. In this case, ABC Insurance Company decides to pay all claims up to $100,000,000. After that, they obtain reinsurance to pay all claims over that amount. This is a form of layering that protects them from catastrophic events such as earthquakes, hurricanes, floods, etc. Reinsurance is indeed, insurance for the insurance company. It spreads out risk and allows for more accounts to be quoted by one company.
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– Judy Bush
An Overview

Which of your clients needs an Umbrella? In today’s climate of multi-million-dollar lawsuits and jury awards, having adequate liability coverage is important for businesses and individuals alike. Nearly everyone is a potential target of a lawsuit—even if they have done nothing wrong. It is estimated that over 15 million civil lawsuits are filed in the United States each year (aboveithelaw.com). In a free society, the right to due process can be both a blessing and a curse. Large lawsuit awards can severely impact a person’s or business’s assets. Legal costs for defense alone can be crippling.

Umbrella, or Excess Liability policies are a relatively inexpensive way to protect assets and future financial viability. They offer coverage for losses that exceed the insured’s underlying policy limit—or the self-insured’s retention (SIR)—for losses not covered in the underlying policies. Coverage usually applies worldwide, and defense costs are often paid in addition to, rather than a part of, the policy limits.

Typical exposures that are excluded under Commercial Umbrella policies are Liquor Liability, Workers’ Compensation and Employers’ Liability, pollution, employment-related practices, aircraft, watercraft, recall of products or work, and electronic data. Personal Umbrella exclusions include punitive damages, and intentional acts and activities of an insured as an officer or director.

Personal Umbrella coverage premiums start at about $200 for $1 million of coverage (trustedchoice.com). Premiums are based on factors such as: number of vehicles, residences, drivers under 21 years of age, presence of dogs, swimming pools and trampolines, as well as prior loss history and type of employment. Most lines of business, especially personal lines, must have manuals (rates/loss costs/rules) and forms—filed and approved—by the Department of Insurance in each state. Non-filed lines—usually commercial lines such as Inland Marine and Umbrella—do not have to be filed, so rating is not standardized. Typically, the premium is a factor of the underlying premium.

What Are the Types of Excess Coverage?

Several different types of policies are designed to protect assets by offering increased liability limits. They range from straight Excess policies that provide...
higher limits of liability coverage over one or more specific underlying policy coverages to the broader “Umbrella” that offers coverage for additional expanded coverage. Examples of underlying policies include Homeowners, Personal Liability, Automobile, Recreational Vehicles, Businessowners or General Liability. “Follow Form” is similar to Excess Liability, as it provides higher limits of coverage but follows terms and conditions of the underlying policies.

The concept of a “true” Umbrella is becoming more and more rare. Like other Excess Liability policies, a true Umbrella provides higher limits of coverage for occurrences covered by the underlying policies. The term “Umbrella” can be misleading, since there are many policies that are called Umbrellas, but none that cover all possible liability exposures. Where the “Umbrella” comes into play is—the true Umbrella is broader than the underlying policy and will also provide coverage for losses that are not included in the underlying policy. Examples of such losses include Personal Injury or claims that originate outside of the United States and Canada. This can be important for insureds who vacation outside the country or send their children overseas to school.

**Maintenance of Underlying Limits**

The Umbrella carrier must be informed when the underlying limits are compromised. This can happen if the policy limits or terms are changed or cancelled, or if losses expire at different times. Limits can also be impacted when an incident or claim occurs. It is important to notify the Umbrella carrier whenever there is a liability loss, even though it may initially seem that the loss is within the underlying limits. The Umbrella carrier has the right to defend and investigate any claim that may be covered under their policy. Late notice to the Umbrella carrier can prejudice their involvement in the case and leave you without the necessary coverage.

**Dilution of Limits**

Another fact to remember is that the Umbrella may provide “insured” status to others who your insured has agreed to indemnify under a written contract. This means that the named insured’s limits may actually be used up in payment of claims for other insureds. For example, a contractor requires a subcontractor to provide additional insured status.

**Self-Insured Retention (SIR)/Retained Limit**

This is an important feature of Umbrella policies. The Self-Insured Retention or Retained Limit is similar to a deductible. It may also apply to exposures that are not covered under the underlying policy. The insured is responsible for first paying damages up to that Retained Limit. The Umbrella policy responds for amounts in excess of the Retained Limit, which is commonly $10,000 to $25,000 for commercial policies, but may be as little as $250 for personal lines policies.

**Drop-Down Provisions**

In addition to providing higher limits of liability, some Umbrellas will also drop down to pay claims from the first dollar once the underlying limit of liability is used up in payment of claims. A problem arises if the underlying policy is cancelled or renewed with different terms and conditions. The insured may be faced with making up the gap of paying what the underlying coverage should have been before the Umbrella will step in. Required underlying limits typically range from $300,000 to $1,000,000—a significant gap and expense. Concurrency of policy dates is important.

**A Review of Claims**

What types of claims might tap the Umbrella coverage? A reinsurer’s study of 14 years of results for Commercial Umbrella determined that 70% of Umbrella claims were General Liability (premises, operations, products and completed operations), and 30% were Auto. When they focused on small- and mid-sized businesses, the Auto percentage increased to nearly 50%.

In 2003, pyrotechnics ignited The Station Restaurant in Warwick, RI. The ensuing fire killed 100 people and resulted in a $176 million settlement against several dozen entities, including the restaurant owner and the band performing at the time. The restaurant filed for bankruptcy. The band had only $1 million in coverage. A worker at a construction site was hit and knocked unconscious by a hoist that was being used improperly. The settlement was nearly $21 million. A waitress was killed in a car crash blamed on alcohol she consumed that was provided by her employer. The verdict was over $3.77 million.

Every time you get in a car there is a risk of an accident, often due to distracted driving. For example, an employee talking on an employer-provided cell phone while driving was responsible for an accident that caused serious injuries to the other driver. The settlement against the employer exceeded $5 million. Internet and social media posts can be troublesome for individuals as well as businesses. Individuals are not insulated from multi-million-dollar losses. A babysitter left children unattended by a wading pool. One child drowned, and the parents were awarded approximately $11 million. A child was bitten in the face by a friend’s dog resulting in a $10 million settlement. A balcony collapse injured multiple teenagers. Each made a demand for the full limit of the homeowners’ Umbrella policy. A beach party ended in a $20 million disaster for the hosting family when someone threw an old propane tank on the fire, causing injuries to several guests.

People who volunteer in the community as coaches, scout leaders and board members of local organizations should always carry Umbrella coverage. A softball coach was sued for $700,000 by a former player who cited the coach improperly taught her, ruining her career. A sexual abuse case against the Boy Scouts of America was settled for $18.5 million.

**Who Needs an Umbrella?**

A common misconception is that only people with substantial assets such as homes, cars or businesses need Umbrella Liability. While higher net value individuals do run a higher risk of being sued, they are not the only ones. In legal terms, anything that can be converted to cash, including electronics, jewelry, and clothing, is an asset. Another fact that may not be considered in the decision of whether or not to purchase an Umbrella is future earning potential. Current and future income can be garnished—a percentage of wages withheld for many years into the future—to pay off a settlement. People without income may be subject to prison time.

Who needs an Umbrella? Everyone. How much coverage should you buy? As much as you can afford. There is no way to tell who the target of a multi-million-dollar lawsuit may be, or how much the claim could be. For insurance agents, failure to offer the most coverage can jeopardize Errors and Omissions coverage. For individuals, failure to purchase adequate limits can be devastating. An Excess Liability/Umbrella policy is something you hope you or your insureds never need to use. Having the coverage may be vital to preserving your client’s (and your) peace of mind.
AUTOMOBILE INSURANCE 101

by: Katharine M. Nohr
If you’re new to the insurance business or you’re not familiar with insurance covering automobiles, the following are the basics. If you own a car, in order to comply with your state’s insurance laws, you will need to purchase a personal auto policy, which is a contract between you and the insurance company that protects you against financial loss in the event of an accident or theft. In exchange for paying the premium, the insurance company agrees to pay your losses as set forth in the policy.

Generally, coverage is provided for property (damage to or theft of your car); liability (your legal responsibility to others for property damage or bodily injury); and medical or health care (the cost of treating injuries, rehabilitation); and sometimes lost wages and/or funeral expenses. Your policy may also have a duty to defend—requiring them to pay for attorney’s fees and costs if you are sued for damages arising out of an automobile accident. If you own or work for a business that has motor vehicles, there’s likely to be auto coverage for the company cars or fleet. If you rent a car, you may choose to purchase insurance for the period of time that you’re renting the car.

The following also describes the coverage these policies offer. However, to delve deeper into this issue, you’ll want to read the applicable policy and your state’s motor vehicle insurance laws. Auto insurance laws allow victims to be compensated for their injuries and provide incentives for drivers to behave responsibly. The disadvantages are the time it takes to settle or litigate claims, the cost of litigation, and the possibility that punitive damages are awarded, which aren’t covered by insurance.

ARE YOU REQUIRED TO HAVE AUTO INSURANCE?

Yes. Every state and the District of Columbia, except New Hampshire, require drivers to have liability insurance for their autos. Even New Hampshire requires drivers to prove they have the financial resources to pay if they cause harm to others. State laws related to motor vehicle coverage vary.

HOW MUCH DOES AUTO INSURANCE COST?

Insurance coverage is priced individually, allowing customized coverage to suit the insured’s needs and budget. However, motor vehicle owners must maintain the legally mandated minimum coverage in accordance with their state laws. Policies generally are issued for renewable six-month or one-year periods. Insurance companies notify policyholders of renewal, premium payments due and cancellation if premiums are not paid.

HOW MUCH INSURANCE IS REQUIRED?

Each state has minimums that are required for no fault (if applicable), bodily injury liability and property damage liability. Buying minimum coverage may not pay for the injuries and property damage caused by an accident. For example, if a person is seriously injured, killed or paralyzed and you only have bodily injury coverage of $20,000, this will not be enough. Or, if many people are injured in an accident and you are only insured for $40,000 for each occurrence, the total damages may exceed your coverage. If your car rear-ends a luxury vehicle or causes damage to multiple cars, your $10,000 property damage coverage will not be sufficient to pay for the damages. If you don’t have enough coverage, you may be liable for the additional costs out of your own pocket. When considering property damage coverage, one must also consider the possibility that damage might be caused to a utility pole, fence, or building as well as motor vehicles.

WHO IS COVERED UNDER AN AUTO POLICY?

An auto policy covers the policyholder and other family members who are driving the insured car or someone else’s car with permission. A person driving the insured car with consent will also be covered.

WILL A PERSONAL AUTO POLICY PROVIDE COVERAGE FOR WORK RELATED ACTIVITIES?

No. It will not provide coverage if you are using the car for commercial purposes, such as delivering pizzas or operating a ride-sharing service (driving for Uber or Lyft). If you drive for a ride-sharing service, consider obtaining a supplemental insurance product that extends such coverage.

WHAT COVERAGE CAN BE PURCHASED TO PROTECT YOUR AUTOMOBILE?

Collision insurance pays for damage to your auto caused by a collision between your auto and another vehicle or an object, such as a guardrail, a tree, or utility pole when you’re at fault. It also provides coverage for damages caused by potholes, but not for mechanical problems or normal wear-and-tear of your car. Comprehensive coverage insures against theft and non-collision losses, such as flood, fire, hail, vandalism, falling trees or rocks, or other hazards. Comprehensive also covers loss to glass such as windshields, windows and/or glass sunroofs.

Emergency roadside assistance coverage may be purchased to pay for assistance when your vehicle breaks down. This may include towing, battery service, fuel delivery, flat tire service, extrication, or lockout service. Towing insurance covers the cost of towing your vehicle for a mechanical breakdown or if it becomes inoperable from damage from an accident.

Rental coverage provides you with a replacement vehicle while your care is being repaired from damage caused by an auto accident or comprehensive claim. There will be a limit of the daily rate and the number of days or a maximum dollar amount paid under the policy.

WHAT IS MEANT BY GAP INSURANCE?

If you have a new car, the value will depreciate quickly. If it’s totaled or stolen, your collision and comprehensive insurance will only cover the car’s market value. Gap insurance will pay the additional amount over the market value and up to what you owe on the vehicle loan. For leased vehicles, gap coverage is usually rolled into your lease.

WHAT IS THIRD PARTY INSURANCE?

Third party insurance is purchased to protect the insured who causes a motor vehicle accident. It pays for injuries and property damage caused to others.

WHAT IS LIABILITY INSURANCE?

This is the most commonly required coverage as it protects others from injury caused by your covered auto. If you injure a person driving another vehicle, a pedestrian, or a cyclist, they may seek coverage under your bodily injury liability coverage of your policy by making a claim or filing a lawsuit.
WHAT SYSTEM ALLOWS A PERSON TO FILE A LAWSUIT AGAINST SOMEONE WHO CAUSES A MOTOR VEHICLE ACCIDENT?
The tort liability system is the system in which a person files a lawsuit or seeks compensation from the person who causes the motor vehicle accident or who is at fault. The person filing the lawsuit has to prove that the other party is negligent. The elements that the plaintiff must prove to establish negligence are:

1. The defendant owed a duty to plaintiff
2. There’s a breach of such duty
3. The accident caused the injuries claimed
4. The plaintiff suffered damages

Damage cases are “special” (medical, wage loss, and other expenses), “general” (pain and suffering) and “punitive” (awarded to punish the defendant, which are not covered by auto insurance). In order to avoid legal liability, a driver has to exercise reasonable care. The system allows victims to be compensated for their injuries or losses. However, the wrongdoer must prove liability and damages.

WHAT IS FIRST PARTY INSURANCE?
This is insurance that you purchase to cover you in the event you're injured in a motor vehicle accident. Types of first party coverage are:

1. Personal Injury Protection (PIP) or No Fault coverage
2. Underinsured Motorist Coverage (UIM)
3. Uninsured Motorist Coverage (UM)

WHAT IS PERSONAL INJURY PROTECTION (PIP) OR NO-FAULT INSURANCE?
PIP or No-Fault insurance pays, without regard for fault, for medical expenses incurred for injuries to the insured and passengers. There also might be coverage for wage loss and other related expenses. This coverage is advantageous as it allows the insured to seek medical treatment immediately as the coverage pays for the treatment. Without this coverage, a person may have difficulty paying for treatment until they succeed in a lawsuit against the party who caused the accident. Absent No-Fault coverage, medical providers may agree to provide treatment with a lien against special damages recovered in the subject lawsuit.

WHAT IS UNDERINSURED MOTOR VEHICLE INSURANCE (UIM) COVERAGE?
UIM coverage protects you if the at fault party does not have enough insurance to cover your loss. After you settle or receive a judgment against the at fault party, if your damages exceed the amount received, you can make a claim under your own policy’s UIM coverage up to the policy limits. If you settle for $20,000 against the tortfeasor, and your damages are $80,000, you may be able to recover payment of $60,000 under your UIM policy, assuming the limits are equal to or exceed that amount.

WHAT IS UNINSURED MOTOR VEHICLE INSURANCE (UM) COVERAGE?
UM pays when the at fault driver does not have auto insurance or in the event of a hit-and-run accident. Rather than making the claim against another person, you will seek coverage from your own insurer for the value of your damages. If the carrier disputes your claim for UM or UIM coverage, it may be resolved through mediation or arbitration.

WHAT IS A DEDUCTIBLE?
Your insurance pays after you pay the deductible. The higher your deductible, the lower your premiums. For example, your deductible might be $500. That means you pay the first $500 of damages and the insurance company pays for damages exceeding that amount.

WHAT IS COMMERCIAL AUTO LIABILITY INSURANCE?
Businesses purchase Auto Liability insurance to protect the business and employees using cars and trucks they own, lease or rent. This will also protect employees who drive their own vehicles while conducting business and use of company vehicles for both business and personal use. This coverage is required in most states and the minimum required Commercial Auto Liability coverage varies. The amount of coverage purchased is important in order to protect businesses from judgments exceeding their limits of liability coverage. Commercial umbrella policies are available to provide extra coverage against bodily injury and/or property damage.

Commercial coverage is purchased for a wide variety of vehicles, including commercial trucks, work vans, service utility trucks, box trucks, and food trucks and may include the equipment inside the vehicles. The coverage provided are like those provided for personal auto policies. A business may purchase fleet insurance to cover all its vehicles, including cars, trucks and vans.

WHAT IS RENTAL INSURANCE COVERAGE?
Your Personal Auto insurance policy may provide coverage when you drive a rental car. The credit card you use to pay for the rental car may also offer additional rental car insurance. You may wish to pay for optional vehicle protection, known as the Collision Damage Waiver (CDW), which shifts liability for collision damage from the person renting the car to the rental car company.

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WHAT IS A DUTY TO DEFEND?
Most policies also contain a duty to defend provision, which requires the carrier to hire a lawyer to defend you if you are sued and pay for the costs of the lawsuit, such as deposition transcripts and expert witness fees. Generally, an insured need only establish that there is a potential for coverage under the policy to require them to provide you a defense. The insurer’s duty to defend may arise even if coverage is in doubt or ultimately is not afforded—hence, the duty to defend is broader than the duty to indemnify. A duty to defend also exists where ultimately no damages are awarded. This provision of a policy is valuable to insureds who face significant attorney’s fees and costs when sued.

The above auto insurance information is not exhaustive of what is and is not covered, your state’s law, and provisions of auto insurance policies. The best source of this information is the applicable policy, state statutes and case law. If you have questions about your policy, ask your insurance agent or broker or seek counsel from an insurance defense attorney in your state.

About the Author
the industry's financial stability, is more conservative than the generally accepted accounting principles (GAAP), established by the independent Financial Accounting Standards Board (FASB). The Securities and Exchange Commission (SEC) requires publicly owned companies to report their financial results using GAAP rules. Insurers outside the United States use standards that differ from SAP and GAAP. As global markets developed, the need for more uniform accounting standards became clear. In 2001 the International Accounting Standards Board (IASB), an independent international accounting standard setting organization, began work on a set of standards, called International Financial Reporting Standards (IFRS) that it hopes will be used around the world. Since 2001 over 100 countries have required or permitted the use of IFRS. In 2007 the SEC voted to stop requiring non-U.S. companies that use IFRS to re-issue their financial reports for U.S. investors using GAAP. In 2008

**Insurance Basics**

The insurance industry safeguards the assets of its policyholders by transferring risk from an individual or business to an insurance company. Insurance companies act as financial intermediaries in that they invest the premiums they collect for providing this service. Insurance company size is usually measured by net premiums written, that is, premium revenues less amounts paid for reinsurance. There are three main insurance sectors: property/casualty, life/health and health insurance. Property/casualty (P/C) consists mainly of auto, home and commercial insurance. Life/health (L/H) consists mainly of life insurance and annuity products. Health insurance is offered by private health insurance companies and some L/H and P/C insurers, as well as by government programs such as Medicare.

**Regulation**

All types of insurance are regulated by the states, with each state having its own set of statutes and rules. State insurance departments oversee insurer solvency, market conduct and, to a greater or lesser degree, review and rule requests for rate increases for coverage. The National Association of Insurance Commissioners develops model rules and regulations for the industry, many of which must be approved by state legislatures. The McCarran-Ferguson Act, passed by Congress in 1945, refers to continued state regulation of the insurance industry as being in the public interest. Under the 1999 Gramm-Leach-Bliley Financial Services Modernization Act, insurance activities—whether conducted by banks, broker-dealers or insurers—are regulated by the states. However, there have been, and continue to be, challenges to state regulation from some segments of the federal government as well as from some financial services firms.

**Accounting**

Insurers are required to use statutory accounting principles (SAP) when filing annual financial reports with state regulators and the Internal Revenue Service. SAP, which evolved to enhance
the National Association of Insurance Commissioners began to explore ways to move from statutory accounting principles to IFRS. Also, in 2008, the FASB and IASB undertook a joint project to develop a common and improved framework for financial reporting.

**Distribution**
Property/casualty and life insurance policies were once sold almost exclusively by agents—either by captive agents, representing one insurance company, or by independent agents, representing several companies. Insurance companies selling through captive agents and/or by mail, telephone or via the Internet are called “direct writers.” However, the distinctions between direct writers and independent agency companies have been blurring since the 1990s, when insurers began to use multiple channels to reach potential customers. In addition, in the 1980s banks began to explore the possibility of selling insurance through independent agents, usually buying agencies for that purpose. Other distribution channels include sales through professional organizations and through workplaces.

**HOMEOWNERS INSURANCE BASICS**
Homeowners insurance provides financial protection against disasters. It is a package policy, which means that it covers both damage to property and liability, or legal responsibility, for any injuries and property damage policyholders or their families cause to other people. This includes damage caused by household pets. Damage caused by most disasters is covered but there are exceptions. Standard Homeowners policies do not cover flooding, earthquakes or poor maintenance. Flood coverage, however, is available in the form of a separate policy both from the National Flood Insurance Program (NFIP) and from a few private insurers. Earthquake coverage is available either in the form of an endorsement or as a separate policy. Most maintenance-related problems are the homeowners’ responsibility. A standard homeowners insurance policy includes four essential types of coverage. They include:

1. **Coverage for the Structure of the Home.** This part of a policy pays to repair or rebuild a home if it is damaged or destroyed by fire, hurricane, hail, lightning or other disaster listed in the policy. It will not pay for damage caused by a flood, earthquake or routine wear and tear. Most standard policies also cover structures that are not attached to a house such as a garage, tool shed or gazebo. Generally, these structures are covered for about 10 percent of the total amount of insurance on the structure of the home.

2. **Coverage for Personal Belongings.** Furniture, clothes, sports equipment and other personal items are covered if they are stolen or destroyed by fire, hurricane or other insured disaster. Most companies provide coverage for 50 to 70 percent of the amount of insurance on the structure of a home. This part of the policy includes off-premises coverage. This means that belongings are covered anywhere in the world, unless the policyholder has decided against off-premises coverage. Expensive items like jewelry, furs and silverware are covered, but there are usually dollar limits if they are stolen. To insure these items to their full value, individuals can purchase a special personal property endorsement or floater and insure the item for its appraised value.

Trees, plants and shrubs are also covered under standard Homeowners insurance—generally up to about $500 per item. Perils covered are theft, fire, lightning, explosion, vandalism, riot and even falling aircraft. They are not covered for damage by wind or disease.

3. **Liability Protection.** Liability coverage protects against the cost of lawsuits for bodily injury or property damage that policyholders or family members cause to other people. It also pays for damage caused by pets. The liability portion of the policy pays for both the cost of defending the policyholder in court and any court awards—up to the limit of being filed. This coverage, however, does not pay the medical bills for the policyholder’s own family or pets.

4. **Additional Living Expenses.** This pays the additional costs of living away from home if a house is inhabitable due to damage from a fire, storm or other insured disaster. It covers hotel bills, restaurant meals and other extra living expenses incurred while the home is being rebuilt. Coverage for additional living expenses differs from company to company. Many policies provide coverage for about 20 percent of the insurance on a house. The coverage can be increased for an additional premium. Some companies sell a policy that provides an unlimited amount of loss-of-use coverage, but for a limited amount of time. Additional living expense coverage also reimburses homeowners who rent out part of their home for the rent that would
have been collected from a tenant if the home had not been destroyed.

**STANDARD HOMEOWNERS POLICY EXCLUSIONS**

Standard Homeowners policies exclude coverage for flood, earthquakes, war, nuclear accident, landslide, mudslide, sinkhole. Some of these exclusions are discussed below.

1. **Floods.** Flood damage is excluded under standard Homeowners and Renter's Insurance policies. Flood coverage, however, is available in the form of a separate policy both from the National Flood Insurance Program (NFIP) and from a few private insurers. Additional information on Flood Insurance can be found on the FloodSmart.gov Website or by calling 888-379-9531. For coverage over and above the $250,000 limit for property and $100,000 for contents provided by the NFIP, excess flood insurance is available from private insurance companies. Tsunamis cause flood damage and are therefore only covered by a flood policy.

2. **Earthquakes.** Earthquake coverage can be a separate policy or an endorsement to a Homeowners or Renter's policy. It is available from most insurance companies. In California, it is also available from the California Earthquake Authority, a privately-funded, publicly-managed organization. In earthquake prone states like California, the policy comes with a high deductible.

3. **Damage Resulting from “Faulty, Defective or Inadequate” Maintenance, Workmanship, Construction or Materials.** Defective products can include construction materials. An insurance policy will not cover damage due to lack of maintenance, mold, termite infestation and infestation from other pests. It is the policyholder's responsibility to take reasonable precautions to protect the home from damage.

**BUSINESS INSURANCE BASICS**

Most businesses need to purchase at least the following four types of insurance:

1. **Property Insurance.** Property insurance compensates a business if the property used in the business is lost or damaged as the result of various types of common perils, such as fire or theft. Property insurance covers not just a building or structure but also the contents, including office furnishings, inventory, raw materials, machinery, computers and other items vital to a business’s operations. Depending on the type of policy, property insurance may include coverage for equipment breakdown, removal of debris after a fire or other destructive event, some types of water damage and other losses.

2. **Liability Insurance.** Any enterprise can be sued. Customers may claim that the business caused them harm as the result of, for example, a defective product, an error in a service or disregard for another person's property. Or a claimant may allege that the business created a hazardous environment. Liability insurance pays damages for which the business is found liable, up to the policy limits, as well as attorneys’ fees and other legal defense expenses. It also pays the medical bills of any people injured by, or on the premises of, the business.

   A Commercial General Liability (CGL) insurance policy is the first line of defense against many common claims. CGL policies cover claims in four basic categories of business liability:

   1. Bodily injury
   2. Property damage
   3. Personal injury (including slander or libel)
   4. Advertising injury (damage from slander or false advertising)

3. **Commercial Vehicle Insurance.** A Commercial Auto policy provides coverage for vehicles that are used primarily in connection with commercial establishments or business activities. The insurance pays any costs to third parties resulting from bodily injury or property damage for which the business is legally liable up to the policy limits.

While the major coverages are the same, Commercial Auto policies differ from a Personal Auto policy in a number of technical respects. They may have higher limits and/or provisions that cover rented and other non-owned vehicles, including employees’ cars driven for company business. Several insurers offer Business Auto policies geared to owners of small businesses or specific types of businesses.

4. **Workers Compensation Insurance.** Employers have a legal responsibility to their employees to make the workplace safe. However, despite precautions, accidents can occur. To protect employers from lawsuits resulting from workplace accidents and to provide medical care and compensation for lost income to employees hurt in workplace accidents, in almost every state, businesses are required by law to buy workers compensation insurance. Workers compensation insurance covers workers injured on the job, whether they are hurt on the workplace premises or elsewhere, or in auto accidents while on business. It also covers work-related illnesses. Workers compensation provides payments to injured workers, without regard to who was at fault in the accident, for time lost from work and for medical and rehabilitation services. It also provides death benefits to surviving spouses and dependents. Each state has different laws governing the amount and duration of lost income benefits, the provision of medical and rehabilitation services and how the system is administered. For example, in most states there are regulations that cover whether the worker or employer can choose the doctor who treats the injuries and how disputes about benefits are resolved.

Workers compensation insurance must be bought as a separate policy.

In-home business and businessowners policies (BOPs) are sold as package policies but do not include coverage for workers’ injuries.

**LIFE INSURANCE BASICS**

Many financial experts consider life insurance to be the cornerstone of sound financial planning. It can be an important tool in the following situations:

1. **Replace Income for Dependents.** If people depend on an individual’s income, life insurance can replace that income if the person dies. The most common example of this is parents with young
children. Insurance to replace income can be especially useful if the government- or employer-sponsored benefits of the surviving spouse or domestic partner will be reduced after he or she dies.

2. Pay Final Expenses. Life insurance can pay funeral and burial costs, probate and other estate administration costs, debts and medical expenses not covered by health insurance.

3. Create an Inheritance for Heirs. Even those with no other assets to pass on can create an inheritance by buying a life insurance policy and naming their heirs as beneficiaries.

4. Pay Federal “Death” Taxes and State “Death” Taxes. Life insurance benefits can pay for estate taxes so that heirs will not have to liquidate other assets or take a smaller inheritance. Changes in the federal “death” tax rules through January 1, 2011 will likely lessen the impact of this tax on some people, but some states are offsetting those federal decreases with increases in their state-level estate taxes.

5. Make Significant Charitable Contributions. By making a charity the beneficiary of their life insurance policies, individuals can make a much larger contribution than if they donated the cash equivalent of the policy’s premiums.

6. Create a Source of Savings. Some types of life insurance create a cash value that, if not paid out as a death benefit, can be borrowed or withdrawn on the owner’s request. Since most people make paying their life insurance policy premiums a high priority, buying a cash-value type policy can create a kind of “forced” savings plan. Furthermore, the interest credited is tax deferred (and tax exempt if the money is paid as a death claim).

**TYPES OF LIFE INSURANCE**

There are two major types of life insurance: term and whole life.

1. **Term Life.** Term insurance is the simplest form of life insurance. It pays only if death occurs during the term of the policy, which is usually from one to 30 years. Most term policies have no other benefit provisions. There are two basic types of term life insurance policies: level term and decreasing term. Level term means that the death benefit stays the same throughout the duration of the policy. Decreasing term means that the death benefit drops, usually in one-year increments, over the course of the policy’s term.

2. **Whole Life/Permanent Life.** Whole life or permanent insurance pays a death benefit whenever the policyholder dies. There are three major types of whole life insurance—traditional whole life, universal life, and variable universal life, and there are variations within each type.

In the case of traditional whole life, both the death benefit and the premium are designed to stay the same (level) throughout the life of the policy. The cost per $1,000 of benefit increases as the insured person ages, and it obviously gets very high when the insured lives to 80 and beyond. The insurance company keeps the premium level by charging a premium that, in the early years, is higher than what is needed to pay claims, investing that money, and then using it to supplement the level premium to help pay the cost of life insurance for older people.

By law, when these “overpayments” reach a certain amount, they must be available to the policyholder as a cash value if he or she decides not to continue with the original plan. The cash value is an alternative, not an additional, benefit under the policy. In the 1970s and 1980s, life insurance companies introduced two variations on the traditional whole life product: universal life insurance and variable universal life insurance.

**ANNUITIES BASICS**

Annuities are financial products intended to enhance retirement security. An annuity is an agreement for one person or organization to pay another a series of payments. Usually the term “annuity” relates to a contract between an individual and a life insurance company.

There are many categories of annuities. They can be classified by:

- Nature of the underlying investment: fixed or variable
- Primary purpose: accumulation or payout (deferred or immediate)
- Nature of payout commitment: fixed period, fixed amount or lifetime
- Tax status: qualified or nonqualified
- Premium payment arrangement: single premium or flexible premium

An annuity can be classified in several of these categories at once. For example, an individual might buy a nonqualified single premium deferred variable annuity. In general, annuities have the following features:

1. **Tax Deferral on Investment Earnings.** Many investments are taxed year by year, but the investment earnings—capital gains and investment income—in annuities are not taxable until the investor withdraws money. This tax deferral is also true of 401(k)s and IRAs; however, unlike these products, there are no limits on the amount one can put into an annuity. Moreover, the minimum withdrawal requirements for annuities are much more liberal than they are for 401(k)s and IRAs.

2. **Protection from Creditors.** People who own an immediate annuity (that is, who are receiving money from an insurance company), are afforded some protection from creditors. Generally,
the most that creditors can access is the payments as they are made, since the money the annuity owner gave the insurance company now belongs to the company. Some state statutes and court decisions also protect some or all of the payments from those annuities.

3. A Variety of Investment Options.
Many annuity companies offer an array of investment options. For example, individuals can invest in a fixed annuity that credits a specified interest rate, similar to a bank Certificate of Deposit (CD). If they buy a variable annuity, their money can be invested in stocks, bonds or mutual funds. In recent years, annuity companies have created various types of “floors” that limit the extent of investment decline from an increasing reference point.

4. Tax-free Transfers Among Investment Options. In contrast to mutual funds and other investments made with after-tax money, with annuities there are no tax consequences if owners change how their funds are invested. This can be particularly valuable if they are using a strategy called “rebalancing,” which is recommended by many financial advisors. Under rebalancing, investors shift their investments periodically to return them to the proportions that represent the risk/return combination most appropriate for the investor’s situation.

5. Lifetime Income. A lifetime immediate annuity converts an investment into a stream of payments that last until the annuity owner dies. In concept, the payments come from three “pockets”: The original investment, investment earnings and money from a pool of people in the investors group who do not live as long as actuarial tables forecast. The pooling is unique to annuities, and it is what enables annuity companies to be able to guarantee a lifetime income.

6. Benefits to Heirs. There is a common apprehension that if an individual starts an immediate lifetime annuity and dies soon after that, the insurance company keeps all of the investment in the annuity. To prevent this situation individuals can buy a “guaranteed period” with the immediate annuity. A guaranteed period commits the insurance company to continue payments after the owner dies to one or more designated beneficiaries; the payments continue to the end of the stated guaranteed period—usually 10 or 20 years (measured from when the owner started receiving the annuity payments). Moreover, annuity benefits that pass to beneficiaries do not go through probate and are not governed by the annuity owner’s will.

TYPES OF ANNUITIES
There are two major types of annuities: fixed and variable. Fixed annuities guarantee the principal and a minimum rate of interest. Generally, interest credited, and payments made from a fixed annuity are based on rates declared by the company, which can change only yearly. Fixed annuities are considered “general account” assets. In contrast, variable annuity account values and payments are based on the performance of a separate investment portfolio, thus their value may fluctuate daily. Variable annuities are considered “separate account” assets.

There are a variety of fixed annuities and variable annuities. One example, the equity indexed annuity, is a hybrid of the features of fixed and variable annuities. It credits a minimum rate of interest, just as other fixed annuities do, but its value is also based on the performance of a specified stock index—usually computed as a fraction of that index’s total return. In December 2008 the Securities and Exchange Commission voted to reclassify indexed annuities (with some exceptions) as securities, not insurance products. Annuities can also be classified by marketing channel, in other words whether they are sold to groups or individuals.

Annuities can be deferred or immediate. Deferred annuities generally accumulate assets over a long period of time, with withdrawals usually as a single sum or as an income payment beginning at retirement. Immediate annuities allow purchasers to convert a lump sum payment into a stream of income that the policyholder begins to receive right away.
Advance Your Career

IAIP offers the following prestigious industry designations:

Certified Leadership Professional (CLP)
Certified Insurance Industry Professional (CIIP)
Diversified Advanced Education (DAE)

CONGRATULATIONS!
(as of June 2, 2018 - November 1, 2018)

NEW CLPs
Kasandra Doody, ACSRP, CLP - Region I
Laurie Hallam, PCLA, CLP, CIIP - Region I
Francine Yotsko, AINS, CIIP, CLP - Region I
Alli Burgess, CLP - Region III
Terri Diephouse, CPSR, CISR, CIIP, CLP - Region III
Darci Noonan, FCAS, MAAA, CPCU, ARM, CLP - Region IV
Rhonda Colton, CPCU, AIS, AIAF, ARC, ACS, API, CPIW, AINS, MBA, CLP - Region V
Nachole Gillis, CLP - Region V
Marcella Beasley, MA, CISR, CRIS, CLP - Region VII
Martez Moore, CLP - Region VII

NEW CIIPs
Laurie Hallam, PCLA, CLP, CIIP - Region I
Christine Taylor, ACSRP, CRIS, MLIS, CIIP - Region I
Carol Hess, CPCU, SCLA, CSRM, CISR, AINS, ACS, AIS, CIIP - Region IV
Sharilyn Lau, CISR, AINS, AAI, CIIP - Region VII

NEW DAEs
Lori Carrozza, CIC, CLCS, CPIA, PIAM, CPIW, DAE - Region III
Dean Besaw, CPCU, AIC, AIS, AINS, CLP, CIIP, DAE - Region V
Samantha DeBates, AIC, AINS, AIS, ARM, AU-M, CPCU, CIC, CIIP, SCLA, DAE - Region V

To learn more about these designations, including how to qualify, visit insuranceprofessionals.org and click on Designations under the Education tab. Contact Rebecca Clusserath, Director of Education at 800-766-6249 extension 3 for more information.
Companies can partner with IAIP to promote the insurance industry through providing education, networking and industry alliance, as well as providing insurance products to the general population. Several levels of corporate partnership are available to meet your business's needs.

Contact the Director of Marketing at 800-766-6249, extension 4, or email marketing@iaip-ins.org today to find out how your company can benefit from partnering with IAIP.
The NAIW International Legacy Foundation wishes to recognize our supporters for their generosity and commitment to help transform the insurance industry through the development of educational programs for insurance professionals. All financial contributions to the Legacy Foundation are tax-deductible as a charitable contribution.

Thank you to our generous donors from June 10, 2018 through November 1, 2018:

**Gamechangers ($1000+)**

*Houston Association of Insurance Professionals* - *in memory of Frances Runk, CIC, CPIW*

**Trendsetters ($100 - $999)**

- Kathleen Bianculli
- California Council
- Gracellen Donnelley
- Sue Downey - Florida Council Meeting
- Florida Council - *In memory of Betty Ribeiro*
- Lisa Hardin
- rosalyn horton - *In memory of Margaret Whitman, mother of Beth Chitnis*
- Insurance Professionals of Acadiana
- Insurance Professionals of Enid - *In memory of LaNell Osmond*

- Insurance Professionals of Mercer County
- Network For Good - *Region II Facebook Donation Campaign*
- Geraldine Plott
- Region I Conference
- Barbara Roberts - *In memory of LaNell Osmond*
- Jenny Schaeffler - *In memory of Donald Manzano, loving husband of Dawn Manzano*
- Kimberly Shattuck - *In memory of Betty Ribeiro*
- South Carolina Council
- Valley of the Sun Insurance Professionals

**Pacesetters ($25 - $99)**

- Lelani Beasley - *In memory of LaNell Osmond*
- Christine Chandler Tillet - *In memory of Donald Manzano, loving husband of Dawn Manzano*
- Donna Colvin - *In memory of LaNell Osmond*
- Mary Corvaia - *In honor of AC IAIP*
- Betty Curry - Florida Council Meeting
- Robin Fawkes - California Council Meeting
- Cherri Harris
- Susan Holbrook
- Nancy Hudson - *In memory of Donald Manzano, loving husband of Dawn Manzano*
- Annette Ing-Firmeza - *In memory of Donald Manzano, loving husband of Dawn Manzano*
- Insurance Association of Metro Detroit - *In honor of 2016-2018 association president Susan Holbrook*

- Sandra Johnson - *In memory of Donald Manzano, loving husband of Dawn Manzano*
- Joy Kmetz
- Regina Kustowski - *In memory of Amy-Lisa Weiss*
- Margaret Lamdagan - California Council Meeting
- Regina Lemanowicz - *In memory of Donald Manzano, loving husband of Dawn Manzano*
- Angela Limbaugh - *In honor of past presidents*
- Gina Patterson - *In memory of Donald Manzano, loving husband of Dawn Manzano*
- Cindie Pitz
- Joanne Small
- Michele Sparks

**Advocates ($1 - $24)**

- Carrie Sue Coddington
- VP "Champ" Coddington Jr.
- Maryanne Edsall
- Laura Gutierrez - *In memory of Donald Manzano, loving husband of Dawn Manzano*

- Alison Holmes - *In memory of Donald Manzano, loving husband of Dawn Manzano*
- Pamela Mackay
- Delores McCullough - *In memory of LaNell Osmond*
- Christine Stapleton

**A NOTE TO OUR SUPPORTERS:**

We appreciate your generous donations to the Legacy Foundation, and we want to recognize everyone accordingly with 100% accuracy. If we have inadvertently made an error, please contact the Legacy Foundation at 800-766-6249 ext. 1 with concerns or corrections.
Welcome our new members from June 2, 2018 through November 1, 2018

Region I
Laurie Bush
Stacey Estes
Taryn Haas, AINS
Anthony Haze
Cynthia King
Ronda Lebza
Marisa Mancini-Cavallo
Dana Montagna
Bonnie Pernice
Maria Rodrigues
Marie Rudert
Colleen Servis
Debbie Smialer

Region II
Amber Akers
Dana Barnhardt
Gina Lyall
Joetta MacMillar, CISR, CPIW
Amy Perkins, CPIA
Christine Wall

Region III
Teresa Baker
Bill Bay
Kimberly Burnside, AU, AIM, CRIS
Heather Cash, CISR
Annie Lee Dearing
Gretel Fernandez
Samaria Foxworth
Mike Freeman
Jose Fuentes
Chrissy Godfrey
Hettie Goodin
Tony Gosnell
Tabitha Hale
Sandra Heard, ACSR, CISR
Teresa Henry
Lanaya Heyward
She’ Hicks
Pamela Jay Paralikis, MEd.,CIC, AAM CPIW, AIT
Lorraine Jones-Murray
Nikki Kesler
Nicholas Kiella
Cynthia Ladson
Dina Layne
Lecrha Lewis
Marie Lovett
Kristie McLaughlin
Arleen Medina
Ruth Phillips, CIC, AAI, AINS, AIS, ACSR, API, CISR, CPIW, CPSR, CCSR, MLIS
Jennifer Powers, API, AIS, AINS, Certificate in General Insurance
Marilyn Redmon

Region IV
Pamela Ash
Jennifer Bayer, RPLU
Joyce Campbell
Cynthia Howard, CPIW
Karen Little, LUTCF, FSCP
Darci Noonan, FCAS, MAAA, CPCU, ARM, CLP
Sherrie Perkins
Lauren Przybylski, LSA
Joy Rice
Rachel Spear
Kelly Williams, AIS, API, AINS, ACS

Region V
Jessica Benson
Tyler Carey
Teressa Victoria Conant, AIS, ACS, API, AU, AIC, AAI, CPIW, ARM, AINS, CISR
Andrew Johnson, AIS
Michael Jurado, LUTCF
Cyndi Leider, AU, AINS, CISR
Karen Maggine
Deanna McCarty, AIC
Casie Meyers
Susan Miles
Alison Miner
Claire Muselman, AIC, AIC-M, AIM, AIS, AINS, ACS, SCLA
Chelsea O’Neal
Trace Skuza
Kourtney Trevorrow

Region VI
Donna Baker, AIS
Patty Bonner
Lisa Bullock
Stacey Campo, CIC, CIIP, CISR
Lindsay Cowvillion
Teresa Gatti

International Association of Insurance Professionals is a professional association open to individuals in the insurance and risk management industries, and provides insurance education, skills enhancement and leadership development. Membership provides you the opportunity to increase your business productivity and profitability by participating in educational offerings and making business connections with other industry professionals. More than 70% of our members have advanced their careers through belonging to IAIP.

To join, contact Amanda Hammerli, Director of Membership, at 800-766-6249 extension 2, or email membership@iaip-ins.org.
SAVE THE DATE

78TH ANNUAL IAIP CONVENTION

JUNE 6-8, 2019 RENO, NV

See You Next Year!
Region IV was proud to honor Nancy Kramer, LUTCF, CIIP, CPIA with its first annual Seasoned Professional of the Year Award at their 2018 Regional Conference. The committee had three wonderful candidates that were all extremely worthy of the award and chose Nancy based on the following: a peer nomination, 25 years in the insurance industry, five years active at the Local, Council, Regional and International levels, civic or fraternal involvement, personal growth and/or family obligations and mentoring. Region IV is proud to have created this award for seasoned members who have worked diligently over their insurance career, contributed to their community and still remain active in IAIP. Florence Nagy (MI) committee chair and Chelle Carey (IN) committee co-chair were instrumental in creating this award during a networking session at the 2017 Region IV Conference because they felt that seasoned professionals were under-represented and lacked a voice in the future of IAIP.

Florence Nagy, ACS, AIC, AINS, AIS, DAE, CPIW, CPD, CPCU, CIIP, SCLA, RPA, CLP
Insurance Association of Metropolitan Detroit

The Greensboro Insurance Professionals held a charity event to support the Hydrocephalus Association. They put on a ‘car and bike’ show and the turnout was amazing! Lots of fun, prizes and community support!

Geraldine Plott, CPCU, CPD, FCLA, SCLA, AIC, ARM, AIS, AINS, CIIP, DAE, CLP
Charlotte Association of Insurance Professionals

The Charleston Association of Insurance Professionals in Charleston, SC broadcasted their last meeting on Facebook Live. What a great way to include those who had conflicts with the meeting time or simply could not get to the actual meeting. Great idea ladies!

Laurie Fite, AU, CIC, TRS, CISR, AINS, DAE, CPIW, AIAM, CLP
Region III Membership Director
Greenville Association of Insurance Professionals

The Charlotte Association of Insurance Professionals held a Meet and Greet event at the Olde Mecklenburg Brewery in Charlotte, NC with fellow insurance professionals. We had 37 in attendance and at least four possible new members. We toured the brewery, tasted the product, enjoyed the German menu and shared insurance adventures.

Geraldine Plott, CPCU, CPD, FCLA, SCLA, AIC, ARM, AIS, AINS, CIIP, DAE, CLP
Charlotte Association of Insurance Professionals

I recently completed my Train the Trainer coursework. Now I am getting ready for Council Day and teaching a seminar on social media and Facebook.

Marisa Petrella, CLP
NJM Insurance Group
Insurance Professionals of Mercer County
The Legacy Foundation was formed in 2006 as the philanthropic arm of the International Association of Insurance Professionals, best known for providing insurance education, skills enhancement and leadership development to its members. Make a contribution by mail or online at:

**Legacy Foundation**
c/o IAIP
3525 Piedmont Road
Building Five, Suite 300
Atlanta, GA 30305

or visit [www.insuranceprofessionals.org](http://www.insuranceprofessionals.org)

The NAIW (International) Legacy Foundation is an IRS approved 501(c)3 foundation.

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