Independent Insurance Agents & Brokers of Louisiana

February 2014

Louisiana Agent

2014 Legislative Session Starts March 10, 2014

The Louisiana Legislature will convene at Noon on Monday, March 10, 2014.

In recent weeks, IIABL CEO Jeff Albright and IIABL Lobbyist David Tatman have been visiting with legislators to discuss insurance related issues for the upcoming session.

Tort reform seems to be the most likely area for legislation which will affect our industry this year. Bills to reduce the jury trial threshold, eliminate direct action lawsuits, and eliminate collateral sources of recovery are the most often mentioned reforms. The Louisiana Association of Business & Industry (LABI) has made tort reform one of their central issues for this legislative session, which means there will be a serious effort to pass such legislation.

Beyond tort reform, a funny thing happened on the way to the legislative session…not many insurance bills have been pre-filed!!

Famous last words! There are ALWAYS a bunch of crazy insurance bills every legislative session!

Having said that, we can't tell you what they will be this year. No hurricanes and a stable, if expensive insurance market seems to have dampened the demand for insurance legislation, but as always, IIABL will be at the Louisiana Legislature protecting the interests of your agency and your customers!

More to come as the 2014 Regular Session of the Louisiana Legislature gets underway!

You Asked for Help to Grow Your Agency…IIABL Responds

IIABL President, Parke Ellis

As described in last month's newsletter, the results of the IIABL survey provided our board of directors with a wealth of information about the issues that are of greatest importance to our members. Interesting among the responses was the fact that agents of all sizes want education and assistance with agency management, agency growth and finding/retaining good employees. To that end, I am very pleased to let you know that the 2014 IIABL Education Conference will focus on these agency management issues that affect agency, principals, producer and staff alike.

Larry Linne will be speaking at the IIABL Education Conference on March 27th offering two very interesting and insightful presentations: "The Impact of Brand on Managing and Growing an Agency" and "The Biggest Barriers to Growth in 2014". Larry has a unique way of making you look at your agency and determining what your value message is to your clients, and then steering you to a

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Inside this issue:

course that lets you live that message. It is about attitude shift, trusting that a different way may be beneficial and then changing the culture of the agency to meet the goals that you want to achieve. That is a mouthful and sounds rather esoteric I admit, but I can also tell you first hand that the philosophies that Larry discusses definitely work. Larry is President of The Sitkins Group that has worked with our agency for over 10 years and has changed our agency in ways I could have never imagined – our strategies, our goals and, most dramatically, our size.

But this seminar is not just about the agency as an entity. Producers and staff members will certainly benefit from the concept of branding. How do you brand yourself to others? How do you create your own distinguishing features? And, how the challenges of the day affect you and your book of business – whether you sell as a producer, or service as a CSR. This seminar will challenge your thinking in these areas.

Our agency operated in a traditional model for most of its 80 years. We were indistinguishable from any other agency. Larry took that traditional approach, shook it up, turned it upside down and then, ultimately threw it out. From the way that we produce, to the way that we service our accounts, to the way that we hire people…our entire agency culture has completely changed. I barely recognize our agency today compared to when we started working with Larry Linne in 2003. Our growth in sales, in services provided, in staff count, and in revenues has been dramatic. But perhaps most importantly it has improved how our staff works. Our producers produce differently, our service staff services differently, all because we understand better what our brand is, what our value proposition is, and how to overcome the barriers that all agencies face in trying to grow their book of business.

What every business needs is a vision and the road map on how to reach that vision. Larry helps create both. It is not just "out of the box thinking," it is a call

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You Asked for Help to Grow Your Agency…

IIABL Responds——from page 2

to create a whole new box. If you are a smaller agency, if you are an emerging agency, if you are an agency that feels stagnant in its growth, this conference may just me the catalyst you need to start your agency in a new direction. I hope you will join us on March 27th at the Capitol Hilton in Baton Rouge.

You can register for the IIABL Education Conference at www.IIABL.com or you can go directly to the online registration by clicking the following link: IIABL Education Conference Registration

IF YOU HAVEN'T VISITED THE TRUSTED CHOICE WEBSITE LATELY WE ENCOURAGE YOU TO CHECK IT OUT!

Trusted Choice®

The all new trusted Choice Agent resource site is love and all kinds of new advertising material and other information has been added to the new site. **The Trusted Choice Marketing Reimbursement Program (MRP) is available again in 2014! Up to $1,600 of expenses can be reimbursed for promoting your agency using the Trusted Choice message...that is free money.** MRP was created with the goal of helping agencies co-brand with Trusted Choice. MRP can be used on advertising and/or marketing materials, including digital advertising. In order to be considered for reimbursement, a Trusted Choice Agency must submit to Trusted Choice the completed reimbursement form. There are new ads and an exciting Internet digital banner ad program too. There you will see many advertising ideas. For more information call Kevin Brandt at 800-221-7917, extension 5414. Kevin can walk you through the process...you may receive $1,600 of FREE money by doing so!

2014 CHANGES IN THE ISO HOMEOWNERS PROGRAM

ISO has introduced two new HO endorsements and revised on HO endorsement. The revised endorsement seeks to clarify coverage for water back-up and sump discharge or overflow. The new endorsements provide a way to insure "green" upgrades following a loss and a means to cover certain equipment and appliances for mechanical breakdown short of effecting a maintenance agreement. To learn more we suggest you go to the Big I's Virtual University by clicking here.

IIABL Introduces New Member Benefit
WAHVE CSR Remote Staffing

IIABL is pleased to introduce an important new member benefit, WAHVE CSR Remote Staffing. Following is an introduction to this new service.

What Is WAHVE's Remote Staffing and Why Is It Relevant to Agency Principals and Decision Makers?

Quality staffing is a key element for any independent agency. Your state independent agents association has endorsed a unique service: WAHVE (Work At Home Vintage Employees). WAHVE provides skilled, experienced insurance professionals to agencies on a dedicated outsourced basis working remotely from home. This gives you as an agency principal an additional staffing option, at special pricing. The WAHVE concept has been proven to deliver skilled, experienced, "vintage" insurance professionals at significant cost savings.

Q: What is WAHVE?

A: WAHVE is a company that provides insurance agencies and other insurance firms with experienced, skilled, "vintage" workers who have retired from traditional jobs in the insurance industry but want to continue to work from home so that they can have more life-work balance. These are people located in the U.S. who understand the industry's technology, workflow and language. Using secure remote network access technology, they can provide an agency with full customer service work or process work in support of CSR's, Account Managers and Producers.

Today, when people retire, they don't really retire from work; they leave the traditional work environment for more life-work balance.

Q: Is WAHVE an employment agency?

A: No. WAHVE is neither a search firm nor an employment or temp agency. We're a new type of staffing firm providing agencies on a dedicated contract basis with work at home vintage employees (we call them wahves) who can work on either part-time or full-time or do projects, such as, data cleanup or conversion or catch up on backlog.

WAHVE has a database of hundreds of "vintage" insurance industry professionals who have been fully vetted and qualified including verifying their skill sets at a very granular level. Agencies provide us with a description of the job and the skill sets they need. We then match the right person for that particular agency and job. You could say that WAHVE is like a Match.com or an e-harmony for the insurance industry. Our management team is experienced with independent agencies, so we have an inherent understanding of how agencies function and are able to find the best match.

Q: Who uses this service?

A: Independent agencies and brokers are our largest

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client group. The company founders each have more than 30 years of insurance agency, technology and service-center experience, so we definitely know the business needs. Since our founding in 2010, we also have worked with insurance carriers, wholesalers and industry service providers.

In effect, WAHVE delivers the independent agency community a large talent pool of highly qualified, trained, experienced insurance industry retirees from across the country, and helps select the right wahve (s) to do back-office or customer service work for the agency.

Q: How much can an agency save by working with WAHVE?

A: Savings are significant, depending on wages and benefits the agency currently is paying. When an agency outsources work to a wahve, the agency saves on salary, benefits and other costs. Here is a savings estimate for a customer service representative:

Base Salary	Fully Loaded Salary	Average Cost per Full-Time WAHVE Worker	**Cost Savings per WAHVE Worker**
$50K	$70K	$43K ($25-$27/hr)	**$27K**

(Fully Loaded" Salary assumes: 20% benefits & taxes, 10% training & supervision, 10% office overhead)

A full-time wahve with 25 years of industry experience would cost, on average, $25-$27 per hour (which equates to $41.8K - $45.1K annually with no additional costs). WAHVE charges only by the hours worked.

Because our wahves have veterans of the industry, they don't need extensive ramp-up time and can be productive quickly.

Q: What other motivations are leading agency principals to try remote staff?

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A: Besides cost, the number-one reason agency principals tell us they hire WAHVE to increase profitability by freeing up highly-paid staff from process work. Process work, while important, takes away from time spent with prospects and customers. Any agency using highly paid staff to do things like policy checking and preparation of applications sooner or later will find that unsustainable. Agency principals tell us using wahves for back-office work frees up other staff to focus on retention, cross-selling and up-selling.

There are other things that have prompted agencies to try WAHVE:

Unable to find local talent.

Prefer an outside person doing quality assurance.

Maintain productivity while employees are on maternity or other leave.

Focus agency marketing efforts on a new segment of business.

Mentor a producer.

Overall, agencies are finding that freeing up staff for client contact is most beneficial for their bottom line.

Q. What types of work are suitable?

A. Agencies use WAHVE on a full, part time or project basis for areas such as:

- Customer service staff:

  CSR's/Account Managers (commercial or personal lines)

  Sales and marketing assistants

  Claims representatives

  Accounting Assistants

  Mentors & trainers

- Back-office process support:

  Preparation of new and renewal business applications

  Quoting and proposal preparation

  Loss run ordering and analysis

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WAHVE CSR Remote Staffing—from page 7

- Policy checking
- Premium audits
- Certificates issuance
- Change requests and endorsements
- Indexing of scanned documents
- Claims support
- Excess and surplus lines filings
- Accounting and finance

Q: Where do wahves actually work?

A: All wahves work at home. They connect their computer using remote access technology, which, while unfamiliar to some agency principals, is highly secure and reliable. We set up the connectivity between the wahve's computer and the agency's network. It is like the set up most agency key staff have now when they work from home. All wahves have dual monitors so they can work efficiently. For wahves that function as CSRs or Account Managers, *the agency will need to provide them with an IP phone.*

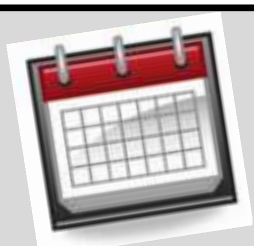
WAHVE has a worker, for example, residing in Maryland who works for an agency in Missouri, and another who lives in Washington state and works for an agency in New York state.

WAHVE currently has a database of hundreds of vintage employees. And we are always looking for more. Today, people can work from anywhere, which means agencies can now have access to talent all across the country.

Work At Home Vintage Employees (WAHVE) is a unique, cost-saving, remote contract staffing solution for the insurance industry. Using an innovative work-at-home model, WAHVE employs skilled insurance retirees located in the U.S. who understand the industry's technology, culture and language. By outsourcing to WAHVE, insurance firms can leverage these qualified, experienced, and technologically-savvy retirees to significantly lower costs and improve profitability.

IIABL members receive a 50% reduction on one-time Set-up fee of $2,500 for a savings of $1250.

Contact: Bill Hunt, Chief Sales Officer, WAHVE, (646) 807-4372 x 506 / bill.hunt@wahve.com.



2014 IIABL Education Conference and Trade Show, Capitol Hilton

March 27, 2014

IIABL is excited to present Larry Linne with Sitkins International at the 2014 Education Conference & Trade Show. Larry G. Linne is one of the business world's most innovative thinkers. Larry's powerful thinking strategies combined with his broad and varied experiences has led to a successful, far-reaching career. From pro football player to industry leading sales manager to published author, his ideas have been implemented in businesses of all classifications, including small business and Fortune 100 companies.

The program, will include the presentations: The Impact of Brand on Managing and Growing an Agency and The Biggest Barriers to Growth

Click here to register.


BECOME AN
AGENT
OF CHANGE

The Commissioner's Corner

Louisiana Seeing Growth in the Property and Casualty Market Less than a Decade Post Hurricanes Katrina/Rita

As Louisiana's Insurance Commissioner I am charged with attracting new insurance companies to the state to create a broader choice for policyholders. I am often reaching out to property and casualty insurers who are not doing business in Louisiana with the purpose of recruiting new carriers to our state. In recent years these efforts have met with surprising success. A combination of strategies to improve Louisiana's property insurance market since Hurricanes Katrina and Rita has resulted in 20 new insurance groups actively writing homeowner policies in our state.

Following Hurricanes Katrina and Rita in 2005, a number of insurers stopped writing policies in coastal areas from Maine to Miami and around to Mexico, with a few companies leaving our state entirely. The Insure Louisiana Incentive Program was created by the Louisiana Legislature in 2007 and beginning in 2008 Louisiana sponsored a depopulation program to get policies out of Louisiana Citizens Property Insurance Corporation (Citizens) and back into the voluntary market.

The Insure Louisiana Incentive Program was a grant program developed to attract new homeowners and commercial property insurance companies to Louisiana. The program attracted five companies with Louisiana providing grants to these companies totaling $29 million. Four of those companies are writing homeowners insurance and one is writing commercial insurance. As part of the requirement to earn 100 percent of the grant, 25 percent of the company's new insurance premium must come from Citizens and the company must participate for the five-year grant program duration.

One of the five companies has completed the program. Three other companies will complete the program in 2014 and the fifth company is scheduled to complete the program in 2015. To date under this program, these five companies have earned more than $18 million of the incentive money they received.

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We are also attracting new companies to our property and casualty market and continue to see signs of improvement as Citizens continues its trend of downsizing. Since Hurricanes Katrina and Rita in 2005 its policy count has reduced from a high of 174,000 in September 2008 to below 95,000 at the end of 2013 through its depopulation program. What this means in terms of market share is that Citizens dropped from 9.8 percent of the homeowners market in 2008 with a ranking of third largest homeowners writer to an estimated 2.7 percent market share with a ranking of ninth largest homeowners writer in Louisiana at the end of 2013. This reduction in market share also means that all Louisiana property owners benefit as it reduces the risk of future assessments in the event of another Katrina-level event.

The Insure Louisiana Incentive Program, the Citizens depopulation program and our active recruiting have certainly proven to be effective in bringing new insurance companies to Louisiana, giving consumers more choices and allowing Citizens, the state-backed insurer of last resort, to reduce the market share of its book of business.

The efforts to attract competition to Louisiana's property and casualty insurance market by so many have also helped to create more competitive pricing of property insurance policies.

These accomplishments have gone a long way towards meeting the mission of the LDI which is to make insurance affordable and available to consumers through providing them the opportunity to access cheaper and better coverage by shopping their coverage needs.

One measure of market competition is the size of the residual market of last resort. As mentioned, the market share for Citizens has continued declining among the top writers of homeowners. Another example is the Louisiana Automobile Insurance Plan. The Plan had nearly 10,000 policies in the mid-1990's and today has fewer than 25 personal and commercial policies. This improvement is due to the auto market becoming more competitive with more

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insurance products available, giving consumers more choices in the voluntary market.

While monitoring the market for competition is essential, ensuring these regulated entities are responsive to policyholders and financially sound is equally critical in maintaining a robust and competitive marketplace. The LDI's Office of Financial Solvency monitors the viability of an insurer's financial structure as well as the insurer's competitiveness in the marketplace, as the first responsibility of insurance regulators is to see to it that insurers are able to fulfill their promises to their policyholders.

The Office of Financial Solvency monitors the business operations of insurance companies, ensuring that all licensing requirements are met on an ongoing basis. This office routinely analyzes the periodic financial statements and other required filings of licensed insurers, primarily those domiciled in Louisiana, to ensure their financial condition would not be hazardous to its policyholders or the general public. Areas of review include, but are not limited to, capital & surplus, risk-based capital, plan of operation, corporate governance, cash flow, premium, losses, reinsurance, complaint data, holding company registration statements, affiliated transactions, and investments.

The Office of Financial Solvency's Actuarial Division assists in the monitoring process by reviewing Louisiana-domiciled insurer financial statements. The Actuarial Division also monitors property and casualty markets, enabling the LDI to be aware of any specific market turn that may become a regulatory concern. Recently some markets have shown signs of moving through a pricing cycle. On the personal lines side, both homeowners and personal auto have seen prices harden on a national basis but availability of products and competition among insurers has remained strong. For homeowners, the market experienced double digit average rate increases after 2005's hurricane season but has since stabilized to average statewide rate changes around the five-percent level.

The insurance industry has safety nets in place in case claims exceed capital or in case the insurance

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company becomes insolvent. Reinsurance is a mechanism by which insurers are able to transfer risk. Many insurers obtain reinsurance to protect their operations from severe losses that may result from a catastrophe. Property reinsurance rates impacting Louisiana have declined in recent years and are expected to decline again in 2014. With fewer catastrophic events in recent years (impacting both the Louisiana and worldwide market) and with competition from alternative reinsurance products, the traditional reinsurance market is quite competitive which results in lower rates for Louisiana insurance companies.

The Louisiana Insurance Guaranty Association (LIGA) is another means by which policyholders are protected. Although insurance companies are required to meet specific solvency requirements, it's not impossible for a company to become insolvent. LIGA is funded by assessments on insurance companies for the purpose of paying covered claims with a minimum delay and minimum financial loss to the policyholder due to insolvency of an insurer domiciled in Louisiana. LIGA may assess insurance companies up to one percent of property and casualty premium, but has not made assessments since 2004 as the Association is well funded and has had minimum active claims recently. LIGA even had surpluses that allowed it to return about $76.8 million to insurers in 2009 from assessments made in prior years. Consumers have the added assurance of knowing that their property and casualty policies are insured to a limit of $500,000 per accident or occurrence on covered claims. This higher limit was passed in the 2010 Regular Legislative Session, which was an increase from $300,000 per accident or claim. Prior to 2008, the limit was $150,000 per accident or claim.

Nearly a decade after the most expensive insured loss event in the history of insurance anywhere in the world, the efforts of countless individuals have succeeded in restoring choices and stability to the insurance marketplace in Louisiana. I am pleased with our progress but more remains to be done. I look forward to continuing to work with you to strengthen our property and casualty markets and expand choices for Louisiana consumers.

So…Where Are We With Flood Insurance?

Most issues debated in the halls of Congress move with the speed of glaciers. Months…even years can go by with no action on major issues of national interest.

So it is truly surprising that after months of inaction, Congress has moved quickly in the last two months to address the significant, in some cases completely unaffordable, rate increases in the National Flood Insurance Program mandated by the Biggert-Waters Act of 2012.

U.S. Senate Action

On January 30, 2014, the U.S. Senate passed S. 1926, the "Homeowner Flood Insurance Affordability Act of 2013," by Sens. Bob Menendez (D-N.J.) and Johnny Isakson (R-Ga.) in a 67-32 vote.

The Menendez-Isakson bipartisan bill would make changes to the Biggert-Waters Act of 2012 (Biggert-Waters) in order to help with the "sticker shock" some consumers are facing as a result of two provisions that create drastic premium increases in many parts of the country.

The bill would delay implementation of the bought/ sold provision from Section 205 and the eliminate Section 207 of Biggert-Waters until after FEMA conducts the "affordability study" as required by the law. S. 1926 would install a procedure for FEMA to issue draft regulations, with affordability in mind, before proceeding with implementation of these two provisions. Currently, Section 205 of Biggert-Waters would immediately eliminate all subsidies, with no phase-out, for properties bought and sold. Section 207 of Biggert-Waters would stop the "grandfathering" of policies located in communities with a new or redrawn map.

U.S. House Action

GOP leadership in the U.S. House introduced HR 3370 late on the evening of February 21, 2014, less than a month after Senate action to mitigate the rate increases of Biggert-Waters. HR 3370 would

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eliminate many of the dramatic flood insurance rate increases mandated by the Biggert-Waters Act. This move was surprising considering that numerous Republican leaders have been steadfast in their opposition to continued subsidies in the National Flood Insurance Program.

The draft language of HR 3370 includes the following provisions:

- Permanently removes the home sale/new policy rate increase trigger for primary residences. So the person buying the home is treated the same as the person selling it. Removal of these provisions would restore real estate markets in communities across the country.

- Reinstates grandfathered rates by decoupling rate increases with FEMA remapping. Removal of this provision ensures that policyholders are not penalized who built to code and built to standards of existing Flood Insurance Rate Maps.

- Provides a refund for the people who purchased a Pre-FIRM subsidized home without the full transparency from FEMA on the new BW-12 rate structure, which wasn't made public for a year after BW-12 was signed into law.

- Provides home improvement protection by increasing the threshold that triggers a loss of Pre-FIRM status for homes substantially damaged/rebuilt from exceeding 30% of the fair market value to 50% (which was the threshold prior to BW-12).

- Would include generally accepted affordability measures such as: high deductible options, flood-proofed basement exemptions, map certification, flood protection funding recognition, optional monthly installment plans, exceptions on escrow requirements, removing the funding cap on the affordability study, etc.

- Authorizes a small assessment around $25 per year on primary residence polices in the NFIP and around $250 per year on business/non-

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YOUNG AGENTS ARE THE LEADERSHIP FOR THE FUTURE!

IIABL YAC EVENTS PLANNED FOR 2014!

Thursday, March 13, 2014

Young Agents CE & Mixer

Speaker: Commissioner Jim Donelon

Margaritaville Casino-Bossier City

Friday, March 21, 2014

Young Agents Crawfish Boil

Lakeside Daiquiri

August 7-10, 2014

Louisiana/Mississippi YA Conference

Ritz Carlton - New Orleans
New this year - Golf outing at TPC on
Thursday, August 7th ...info coming soon!!

So…Where Are We With Flood Insurance?

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primary residence policies in the NFIP. All revenue from the assessments would be placed in the NFIP reserve fund (created by BW-12), which could be used to transfer catastrophic flood risk to the private market. The assessment benefits all policyholders by building up the NFIP reserve fund. Currently, the reserve fund balance is inadequate to handle future storms like Hurricanes Katrina and Sandy. The assessment would phase-out as premium rates match projected loss.

Passage of HR 3370 in the U.S. House of Representatives will depend upon an interesting political compromise. Republican fiscal hawks are expected to vote against HR 3370 despite the fact that the bill has been introduced by Republican leadership. This leaves Democrats, who would naturally be inclined to support federal subsidies of flood insurance rates, in the interesting position of supporting Republican leadership legislation. The House Republican leadership needs Democratic votes, but they do not want to give credit to Democrats. Then you overlay the politics of flood prone states versus not-so-flood-prone-states, and election year politics… and the calculus of this vote is very difficult to figure.

The fact that both Democratic Senate legislation and Republican House legislation both address the most difficult flood insurance rate increases in very similar ways bodes well for a possible compromise solution which would benefit Louisiana flood insurance policyholders. But Washington politics will make future developments very interesting……..

Louisiana Insurance Commissioner Jim Donelon—Baton Rouge Press Club Luncheon

Jim Donelon was guest speaker at the Baton Rouge Press Club on February 17th. Harris Deville & Associates Blythe Lamonica attended the luncheon and her report is below.

Commissioner Donelon's speech was centered around Louisiana's need for tort reform to improve the auto insurance market in the state. He covered several insurance areas, but focused mainly on the state's auto insurance market.

Auto Insurance

Donelon said auto insurance is the "biggest challenge" facing Louisiana in the insurance marketplace. He said Louisiana always ranks in top 10 states with the most expensive auto insurance according to the rankings by National Association of Insurance Commissioners. He commented that in the most recent rankings (which studied rates through 2011), Louisiana moved from the most expensive state from the previous year's ranking to second most expensive behind New Jersey. The other states in the top five include: Washington, DC, New York and Florida.

Until the last two years, premium rates for auto insurance had been flat (from 2004-2012) because Louisiana was able to attract a number of companies into the state. Donelon said the reason Louisiana did not improve in the rankings is because others states' rates were tracking downward during the same timeframe.

Donelon said after the release of one of the rankings, he had his chief actuary at the Department of Insurance look at the study and compares the rates in all 64 parishes using one of the major carriers writing business. The actuary found that four parishes' rates were more than five percent higher than the state average. These parishes included: Orleans (42 percent higher), St. Bernard (32 percent higher), Plaquemines (16 percent higher) and Jefferson (14 percent higher). In fact, many of the other parishes were lower than the state average.

"I attribute to 'soft tissue' industry, " he said. Donelon said it is not only lawyers, but also doctors, chiropractors, physical therapists, tow truck drivers all driving maximum coverage claims up and driving up premiums.

He went over legislation he implemented while serving in the Louisiana Legislature dealing with auto insurance titled "no pay, no play" or Omnibus Premium Reduction Act (OPRA). He said after passing the law, which included a mandatory 10 percent reduction in liability costs, Louisiana improved the state rankings at the time.

Donelon said he works with the Louisiana Property and Casualty Insurance Commission, which is charged with reviewing the state's affordability and availability of property and casualty insurance in the state. Each year the Commission submits a list of recommendations to the legislature. This year's recommendations are below:

- Lowering the jury trial threshold – reduce from $50,000 to $10,000.
- Expand on the No pay, No Play law passed years ago. He elaborated more on the Omnibus Premium Reduction Act (OPRA) of 1997. The law passed then stated if a driver is uninsured and involved in an accident, he loses $15,000 of right to recover damages and it would increase to

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Ask Mike Edwards

IIABL Director of Education, Mike Edwards is available to answer technical questions from IIABL members. To submit a technical question, contact Mike Edwards, CPCU, AAI, at **medwards65@aol.com** or call (678) 513-4390.

Subject: BAP: Auto hired with driver

Q. I'm in a bit of a quandary about a Business Auto exposure. My insured is a meeting consultant/ event planner. When I called him yesterday to talk about his upcoming renewal and get a quick update on any changes he's made, he mentioned that he is getting ready to move to a larger location, and expand his business. His daughter plans to relocate back home to Louisiana, and join the business. She has worked with a large professional event planning firm in Orlando since graduating from LSU about 10 years ago.

One of the areas they want to expand into is more turnkey events, where they become a one-stop-shop for their clients. The example he gave me was where they would coordinate a large event, like a business conference or wedding, and include hiring a shuttle van, shuttle bus, or limo as a part of the package deal.

Somewhere in the back of my mind, I seem to remember that the BAP excludes hiring an auto with driver, but I can't seem to find any exclusions in the coverage form which addresses this exposure. Any ideas?

A. First, kudos for making the effort to get updates from your insured at renewal. According to E&O experts, far too many accounts get renewed as-is. An annual update or review of each account, even a cursory one, is good for the business relationship with customers, and an excellent E&O loss control procedure.

The BAP does have several provisions (three, to be exact) which address hiring an auto with a driver. However, just to demonstrate that the forms drafters have a sense of humor, none of the provisions are found in the exclusions. For the following discussion, assume your insured is VIP Event Planners ("VIPEP"), and that the commentary and coverage form excerpts are from the ISO BAP (CA 00 01 10 13).

Here is the first excerpt from the ISO BAP that

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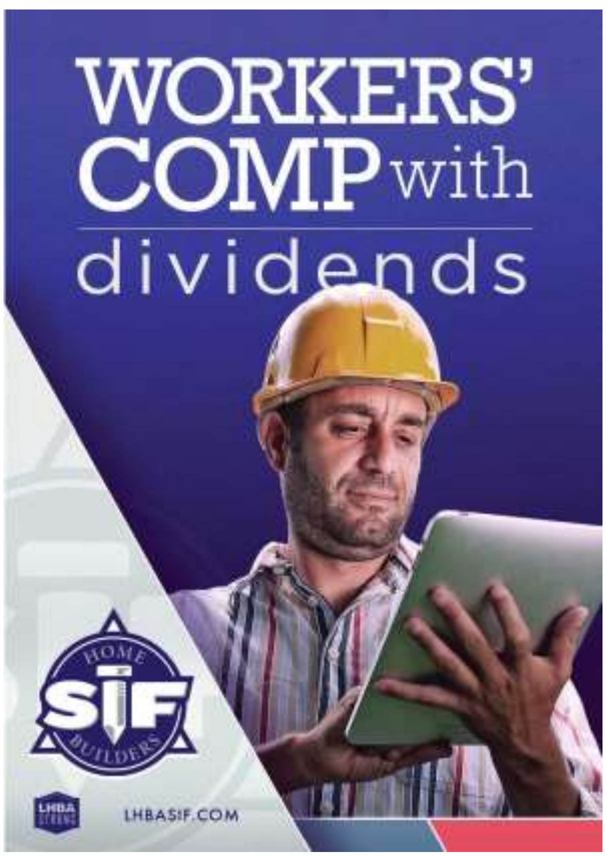
references hiring an auto with driver:

> ***SECTION IV - BUSINESS AUTO CONDITIONS***
>
> ***B. General Conditions***
>
> ***5. Other Insurance***
>
> *b. For Hired Auto Physical Damage Coverage, any covered "auto" you lease, hire, rent or borrow is deemed to be a covered "auto" you own. However, any "auto" that is leased, hired, rented or borrowed with a driver is not a covered "auto".*

Comments:

(1) If VIPEP includes transportation as a part of the package of services they provide a client, and VIPEP leases, hires, rents, or borrows the shuttle van, shuttle bus, limo, etc. with a driver, their BAP with symbol 8 Hired Car Physical Damage coverage will not apply. The rationale probably is that since your insured has essentially no control over the auto, there is no basis to provide coverage for any physical damage done to the auto.



(2) However, endorsement CA 20 33 03 10 Autos Leased, Hired, Rented or Borrowed With Drivers – Physical Damage Coverage, provides a buy-back.

Here is the second excerpt from the ISO BAP that references hiring an auto with driver:

> ***SECTION IV - BUSINESS AUTO CONDITIONS***
>
> ***B. General Conditions***
>
> ***7. Policy Period, Coverage Territory***
>
> *Under this Coverage Form, we cover "accidents" and "losses" occurring:*
>
> *a. During the policy period shown in the Declarations; and*
>
> *b. Within the coverage territory.*
>
> *The coverage territory is:*
>
> *(1) The United States of America;*
>
> *(2) The territories and possessions of the United States of America;*
>
> *(3) Puerto Rico;*
>
> *(4) Canada; and*
>
> *(5) Anywhere in the world if a covered "auto" of the private passenger type is leased, hired, rented or borrowed without a driver for a period of 30 days or less*

Comment: If VIPEP arranges transportation outside the Coverage Territory by leasing, hiring, renting or borrowing an auto with a driver, some form of international coverage is needed.

Here is the third excerpt from the ISO BAP that references hiring an auto with driver:

> ***SECTION II - COVERED AUTOS LIABILITY COVERAGE***
>
> ***B. Exclusions***

See ASK MIKE page 24

This insurance does not apply to any of the following:

2. Contractual.

Liability assumed under any contract or agreement.

But this exclusion does not apply to liability for damages:

a. Assumed in a contract or agreement that is an "insured contract", provided the "bodily injury" or "property damage" occurs subsequent to the execution of the contract or agreement; or

b. That the "insured" would have in the absence of the contract or agreement.

SECTION V – DEFINITIONS

H. "Insured contract" means:

6. That part of any contract or agreement entered into, as part of your business, pertaining to the rental or lease, by you or any of your "employees", of any "auto". However, such contract or agreement shall not be considered an "insured contract" to the extent that it obligates you or any of your "employees" to pay for "property damage" to any "auto" rented or leased by you or any of your "employees".

An "insured contract" does not include that part of any contract or agreement:

b. That pertains to the loan, lease or rental of an "auto" to you or any of your "employees", if the "auto" is loaned, leased or rented with a driver; or

Comments:

(1) While the BAP's contractual liability coverage does not include a contract involving an auto loaned, leased, or rented with a driver, the applicability of this provision is fairly narrow. Two important notes about contractual liability. First, it only applies where the named insured (VIPEP) has agreed to assume the tort liability of another (limo company), for damages to a third party. Second, the contractual exclusion above does not apply to any liability for damages "*That the 'insured' would have in the absence of the contract or agreement.*" [See B.2.b. above.] In other words, an injury caused through the direct negligence of VIPEP is generally beyond the scope of contractual liability.

(2) For example, if the transportation company they hired had poor vehicle maintenance or unqualified drivers, VIPEP could be sued for failing to properly investigate and vet the shuttle bus or limo company. VIPEP's potential liability for this does not involve contractual liability, but instead would be the direct negligence on the part of VIPEP. In such case, the contractual exclusion for an auto hired with a driver would not have any impact on coverage for VIPEP.

(3) Further, assume VIPEP provided guests with

See ASK MIKE page 25

those cone-shaped birthday party hats, and while riding in the limo, one guest had his eye severely damaged by the pointy tip of another guest's party hat. The fact that the injury occurred in the limo would not fall under the contractual liability provisions, since the potential negligence was by VIPEP.

(4) Since the scope of contractual liability is to cover VIPEP's assumption of liability of another party (limo company), the exclusion of an auto hired with a driver is to avoid VIPEP's BAP from applying to the negligent driving of the shuttle bus or limo, by the driver who was sent by the transportation company. That exposure should rest with the transportation company, and not shifted to VIPEP.

Closing comments:

(1) In many situations, where an event planner such as VIPEP is providing a turnkey package of services, there is the potential for a liquor liability exposure. It could be argued that where VIPEP includes alcoholic beverages as a part of its services, they could be considered to be "*in the business of… furnishing alcoholic beverages*." And even if guests bring their own alcohol (so-called "BYO"), the 2013 changes to the CGL liquor liability exclusion do not guarantee an exemption for VIPEP. See recent article on the CGL changes, including the liquor liability exclusion: click here

(2) In doing some research for your question, I found some helpful information on various websites of event planner organizations:

Event Planners Association - Insurance

International Institute of Event Managers - Insurance

These materials are intended for educational purposes only and should not be relied upon as legal advice. Please consult a qualified attorney for legal advice.

Flood News

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Important - NFIP Program Changes Effective June 1, 2014

As you know, the Biggert-Waters Flood Insurance Reform and Modernization Act of 2012 (BW-12) has transformed the National Flood Insurance Program (NFIP) over the last eighteen months. As a result, many changes have been implemented to the flood policy under the NFIP, and FEMA has recently announced additional revisions to take place effective June, 1 2014. Below is Selective's summary of the changes being made as well as a link to a more in depth bulletin from FEMA.

As always, Selective will look to keep you informed of these changes and their impact to your flood insurance business - as well as providing tips for your agency - with regular communications like this and webinars.

What's Affected?	Revisions Being Made – Effective June 1, 2014
Policy Form	– All policy forms must use an 18 point font and be issued with all new and renewal NFIP policies.
Declaration Page	– Pre-FIRM subsidized policies must clearly state "Pre-FIRM Subsidized", including Pre-FIRM buildings rated without Elevation Certificate data in Zones A, AE, A1-A30, AH, AO, VE and V1–V30 **and** all policies effective prior to October 1, 2013, covering Pre-FIRM buildings in Zones V & D with original new business dates prior to July 6, 2012, (with no lapse in coverage on or after October 4, 2012).
Building Coverage (Residential & Non-Residential)	– Standard flood insurance policies **prohibit** duplicate building coverage by the same insured. – If building coverage is purchased by a tenant, regardless of occupancy, the landlord **must** be named on the policy. – If building coverage is purchased by an owner, tenants **may** be named as additional insureds on the policy. – At least 90 days prior to expiration, Selective will provide notice to both you and your customers of all policies covering residential and non-residential buildings where duplicate coverage is indicated.
Building Coverage (Other Residential – 5 or more families, General Property Form)	– Building coverage limit **increased** from $250,000 to $500,000. – At least 90 days prior to June 1, 2014 Selective will send letters to all "Other Residential" policyholders informing them of the new maximum limits.

Primary Residence Definition (Pre-FIRM subsidized)	– Definition revised to: "A building that will be lived in by the insured or the insured's spouse for more than 50 percent of the 365 days following the policy effective date."
	– A signed verification statement as well as proof of primary residence is now required via:
	  – Driver's license
	  – Automobile registration
	  – Proof of insurance for a vehicle
	  – Voter's registration
	  – Documents showing where children attend school: or
	  – Homestead Tax Credit form for primary residence
	– At least 90 days prior to expiration, Selective will send a Notification Letter to all Pre-FIRM subsidized residential single family dwelling policyholders (including condominium) of the revised definition and documentation requirements.
	– Failure to provide acceptable documentation within 30 days of the date of the Notification Letter, the policy will be renewed as a non-primary residence with the new 25% higher phased-in BW-12 premium.
	– ***Note:*** To be eligible for Replacement Cost on claim settlements, the dwelling must be the insured's "Principal Residence" and the insured or their spouse must live in the dwelling **80%** of the 365 days preceding the loss.

Grandfather Rating	– A policy issued for a condominium unit under the Dwelling form may not use the Declarations Page of an RCBAP to demonstrate eligibility for Pre-FIRM subsidized premium rates or for grandfathering procedures.

Flood News

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Important - NFIP Program Changes Effective June 1, 2014

Minimum Deductible Changes – Effective June 1, 2014

Program Type	Rating	Minimum Deductible for Coverage of $100,000 or Less	Minimum Deductible for Coverage Over $100,000
Emergency	All	$1,500	N/A
Regular	All **Pre-FIRM Subsidized** Zones: A, AE, A1-A30, AH, AO, V, VE, and V1- V30, AR/Dual Zones **without** Elevation Data	$1,500	$2,000
	All **Full-Risk** Zones: A, AE, A1-A30, AH, AO,V, VE, and V1-V30 AR/AR Dual Zones **with** Elevation Data and B, C, X, A99 & D	$1,000	$1,250
	Tentative & Provisional	$1,000	$1,250

For a complete review of all NFIP program changes effective June 1, 2014, please refer to FEMA's WYO Bulletin W-1370.

For additional assistance or if you would like more information, please speak with your Selective Flood Territory Manager or Underwriting Team.

Welcome

IIABL New Members

February 2014

Southern Legacy Group, LLC

Vacherie

LA Twins Insurance Agency, LLC

Harvey

The Louisiana Department of Insurance-Rate and Rule Filings-SUBMITTED
January 25-February 21, 2014

Company	Coverage Type	% of Impact $ of Impact	# of Policy-holders	Requested Effective Date
Great Divide Insurance Company	16 - Workers Compensation	-9.9 $-377820	47	New: 06/15/2014 Renewal: 06/15/2014
Ohio Security Insurance Company	5 - Commercial Multiple Peril	9.0 $310286	774	New: 10/01/2014 Renewal: 10/01/2014
Allmerica Financial Benefit Insurance Co.	19 - Commercial Automobile	10.5 $345885	520	New: 05/01/2014 Renewal: 05/01/2014
Hanover Insurance Company Hanover American Insurance Company Massachusetts Bay Insurance Company	19 - Commercial Automobile	5.6 $292292	230	New: 05/01/2014 Renewal: 05/01/2014
Shelter Mutual Insurance Company	19 - Private Passenger Automobile	3.1 $1372654	43819	New: 04/16/2014 Renewal: 04/16/2014
Church Mutual Insurance Company	19 - Commercial Automobile	-9.210 $-149802	597	New: 07/01/2014 Renewal: 07/01/2014
Safeco Insurance Company of Oregon	9 - Inland Marine	8.2 $54727	1746	New: 05/10/2014 Renewal: 07/11/2014
Continental Insurance Company American Casualty Co. of Reading PA National Fire Insurance Co. of Hartford Transportation Insurance Company Valley Forge Insurance Company Continental Casualty Company	16 - Workers Compensation	1.0 $149738	1831	New: 05/01/2014 Renewal: 05/01/2014
Arch Insurance Company	17 - Other Liability	18.3 $1281453	2707	New: 04/01/2014 Renewal: 04/01/2014
Foremost Property & Casualty Insurance Foremost Signature Insurance Company Foremost Insurance Company	5 - Commercial Multiple Peril	0.8 $34442	1563	New: 05/15/2014 Renewal: 08/15/2014
Charter Oak Fire Insurance Company Phoenix Insurance Company Travelers Indemnity Company Travelers Indemnity Co. of America Travelers Indemnity Co. of Connecticut Travelers Property Casualty Co. of America	5 - Commercial Multiple Peril	4.7 $623,604	3181	New: 06/01/2014 Renewal: 06/01/2014
Republic Fire & Indemnity Company	4 - Homeowners	8.0 $2,293,896	13941	New: 03/01/2014 Renewal: 04/01/2014
United Fire and Casualty Company United Fire & Indemnity Company	19 - Commercial Automobile	2.200 $233,483	1116	New: 03/01/2014 Renewal: 03/01/2014
Charter Oak Fire Insurance Company Phoenix Insurance Company Travelers Indemnity Company Travelers Indemnity Co. of America Travelers Indemnity Co. of Connecticut Travelers Property Casualty Co. of America	17 - Other Liability	4.0 $754610	2254	New: 08/02/2014 Renewal: 08/02/2014
Bituminous Casualty Corporation Bituminous Fire & Marine Insurance Co,	16 - Workers Compensation	5.1 $141337	76	New: 05/01/2014 Renewal: 05/01/2014
LM General Insurance Company LM Insurance Corporation Liberty Personal Insurance Company	19 - Private Passenger Automobile	6.000 $2575529	15584	New: 04/21/2014 Renewal: 05/26/2014
Shelter Mutual Insurance Company	19 - Private Passenger Automobile	3.200 $1370393	42145	New: 04/23/2014 Renewal: 04/23/2014

The Louisiana Department of Insurance-Rate and Rule Filings **ACTED UPON**
January 25-February 22, 2014

Company	Coverage Type	% of Impact $ of Impact	# of Policy-holders	Requested Effective Date
Markel Insurance Company	16 - Workers Compensation	-2.4 $-57,973	835	New: 05/01/2014 Renewal: 05/01/2014
Sentry Casualty Company	16 - Workers Compensation	2.2 $3,455	33	New: 05/01/2014 Renewal: 05/01/2014

Additional rate filling information can be found on the Louisiana Department of Insurance website by clicking here. If you have questions, you may contact the Office of Property and Casualty Insurance Rating and Policy Forms Division at: (800) 259-5300 Toll free or (225) 342-5203 Louisiana.

Louisiana Insurance Commissioner Jim Donelon————— from page 20

$25,000 if the person involves is the owner of the vehicle. Donelon said the expansion proposed by the Commission would eliminate any pain and suffering recovery if a driver is found to be uninsured. He said California passed similar law just recently.

Donelon said 12-14 percent of Louisiana drivers are uninsured. Under OPRA, the law mandated requirement for companies to offer uninsured motorist (UM) coverage for economic damages only. OPRA also established a minimum 20 percent reduction in premium if a policyholder took UM coverage (most companies did 40 percent). OPRA proposed the abolishment of the direct action statute (sue insurance companies directly). He said Louisiana and Wisconsin are the only states to have a direct action statute. During the debate on OPRA, the proposal was amended out of the bill.

Homeowners Market

Donelon said Louisiana's homeowners insurance recovery has been remarkable. He said 20 new companies have entered the state's private market. He said all over the country the big companies are withdrawing from all coastal areas, so it has been important to have these new companies.

He complemented the work of Coalition to Insure Louisiana for the work the coalition has done to seek improvements in the homeowners market. He pointed to the uniform building codes as an example of CIL's work and a major reason the market has improved.

National Flood Insurance Program

Donelon spoke briefly on the National Flood Insurance Program (NFIP). He reviewed the situation and history of the Biggert Waters Act and the current Menendez Bill on the Senate side. Donelon said that the proposed delays in implementation are good, but the program needs a more permanent fix. He did say that the U.S. Government Accountability Office was asked to do an analysis at the private insurance taking over flood coverage. Donelon was asked to be involved in that study. Donelon said he does not think the flood program deficit will ever be paid off.

Affordable Care Act of Obamacare

Donelon said the president has issued a second delay in implementation of the Affordable Care Act for employers. He said midsize companies (50-99 employees) have until 2016 to implement coverage. Large companies still have to offer insurance to 70 percent of their fulltime employees by 2015 (this does not include coverage of family members).

He said the success of Obamacare depends on participation of the young, healthy segment of the population. This past week, the U.S. Department of Health and Humans Services released a report comparing state by state enrollment through the health insurance marketplace, Louisiana showed 52 percent of enrollees are 45 years or older and 29 percent are between the ages of 18-34. To date, 33,000 people in Louisiana have enrolled in the program, putting Louisiana in middle of the nation (18 states have higher enrollment, 17 states have lower

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Louisiana Insurance Commissioner Jim Donelon —from page 29

enrollment rate). In addition, 82 percent of enrollees have qualified for a subsidy. March 31, 2014, is the deadline for enrollment by individuals without being penalized.

Workers Compensation

Donelon spoke very briefly about worker compensation improvements in the state. He said it is “one of the best news stories in our insurance marketplace.” He said in the last 20 years (1993-2013), rates have decreased 50 percent with reduction of 35 percent just since 2004. All the major carriers are now writing in Louisiana. Another reduction of five percent is expected for Louisiana this year.

Questions by audience members:

Q. **Merit Based Judge Selection – how many** states have this?

A. Donelon said two-thirds of states have some form of the law that appoints judges based on merit. He said he does not see the merit based judge selection happening in Louisiana.

Q. **Can you speak more on the push for tort reform?**

Donelon said Louisiana had major tort reforms in the 1990s under former Gov. Mike Foster and former state Rep. Chuck McMains. Donelon said he was involved with the efforts as the chairman of the House Insurance Committee. He referenced other proposed bills offered under then Gov. Foster that did not pass but promised reductions in rates (as much as 25 percent). He said he got a call from the governor’s office about three months ago asking what sort of “laundry list” of reforms could bring reductions actuarially. He said they provided the studies done when the original tort reform measures were proposed under Gov. Foster. Donelon said DOI has not updated the studies.

In addition, Reps. Alan Seabaugh and Ray Garofolo have both met with Donelon to discuss their proposed tort reform legislation. He has also heard from people at Louisiana Association of Business and Industry. Donelon said he has met with representatives from Louisiana Motor Transport who have complained their truckers pay higher rates in Louisiana than any other neighboring state. He said there is huge interest by industry and businesses to do something on tort reform this session and he will support the efforts.

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