



The Trusted Choice®

# Louisiana Agent

## July 2015



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### IIABL Launches Markets Program for Members

IIABL is pleased to announce the launch of Independent Market Solutions (IMS), a multi-state Big I markets access program, designed to provide personal lines and small commercial property & casualty insurance markets to IIABL member agencies. IMS is owned and operated by a group of Big I state associations, including IIABL and is administered by the Florida Association of Insurance Agents (FAIA).

Initially, IMS is starting with homeowners markets because they provide the greatest need and opportunity. IMS plans to expand into private passenger automobile, other personal lines coverages, and might someday consider small main street commercial business.

Our initial insurance company partners include:

- United Property Casualty – UPC Insurance Company
- Lighthouse Property Insurance Corporation
- Southern Fidelity Insurance Company
- Anchor Insurance Company

IMS develops relationships and contracts with insurance companies to distribute their personal lines insurance products through IIABL member agencies. IIABL members apply to become subproducers of IMS for specific insurance companies. There are no premium volume requirements for IIABL members to participate in IMS. There are no fees for IIABL members. IIABL member subproducers have a Subproducer Agreement which protects your ownership of expirations. Each insurance company has complete control over the appointment of individual member agencies, appointing the ones they want and withdrawing appointments that are not beneficial over time. Agency appointments are made to compliment and not conflict with direct appointment agencies. Appointments are based on mutually beneficial and profitable relationships, and no appointments are guaranteed. IMS manages the relationships between insurance companies and IIABL member agencies.

This consolidation of markets

## IIABL Launches Markets Program for Members (continued)

under the management of IMS benefits insurance companies and IIABL member agencies because it aggregates premium volume with significantly more diversification of risk characteristics than what individual agencies could achieve.

IIABL acts as the marketing rep for IMS and our insurance companies, but IIABL member subproducers deal directly with insurance company underwriters and claims departments.

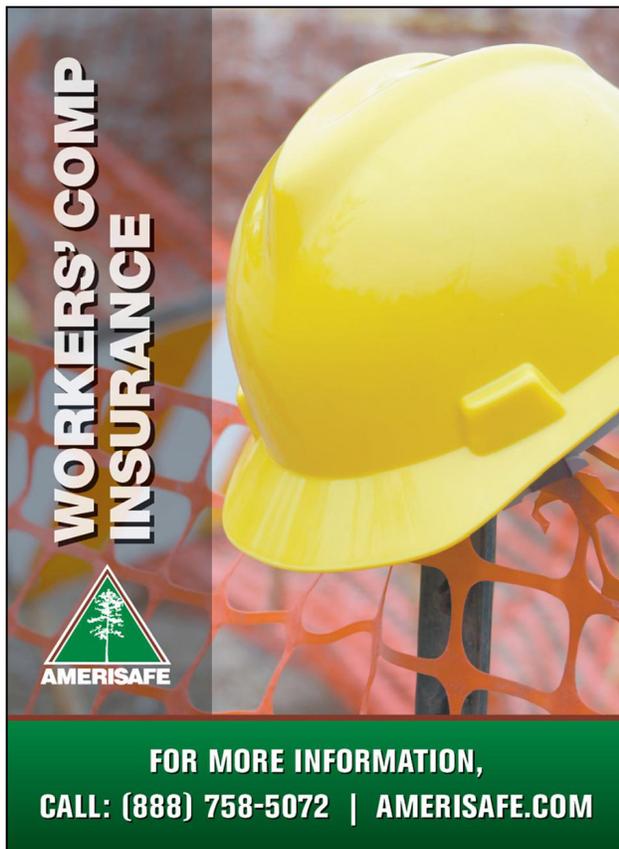
IMS downloads policy information each night and produces monthly production reports for each

IIABL member subagent and pays commissions by EFT. IMS keeps 2% or 3% of commission to pay for operations and pays the balance of the commission to the IIABL member agency. For several insurance companies which pay 15%, IMS retains 3% and pays the subproducer agency 12%.

Initially we have no profit sharing agreements. We hope that once we are well established and have a profitable book of business, we will earn profit sharing. If/when we do, we will pass the vast majority of profit sharing back to our member agencies / subproducers.

If an IIABL member subproducer develops a significant book of business and meets certain requirements, the insurance company has the right to appoint the agency directly.

IMS CANNOT GUARANTEE THAT EVERY IIABL MEMBER WILL GET MARKETS, but we will be able to help many of our members. IIABL and other state Big I associations did NOT create IMS to make a lot of money...we created IMS to help perpetuate and strengthen the independent insurance agency system by helping small agencies to gain access to markets and be more successful.



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## BEST PRACTICES BENCHMARKS: COMPENSATION EXPENSES

### BEST PRACTICES BENCHMARKS: COMPENSATION EXPENSES

The 2014 IIABA Best Practices Study, which aggregated the financial results of more than 300 high-performing agencies across the country, can be a valuable guide for managing your agency. Among the many important benchmarks captured, **the study includes the following compensation benchmarks:**

	Under \$1,250,000	\$1,250,000-\$2,500,000	\$2,500,000-\$5,000,000	\$5,000,000-\$10,000,000
Payroll	44.4%	43.9%	50.3%	50.2%
Payroll Taxes	3.9%	3.2%	3.4%	3.3%
Benefits	4.7%	5.0%	5.2%	5.2%
Total Compensation	52.5%	55.3%	58.8%	61.7%

For a full definition of these benchmarks, follow this link <http://tiny.cc/nq6wyx> to see the 2014 Best Practices Study Executive Update and look for the glossary in the appendix.

Please note that these figures include producer and discretionary owner compensation. Even taking that into account, staff compensation will easily push 40 to 50 percent. When you consider how much of your agency revenues are allocated to compensation, it's easy to see how important managing this expense factor is to your bottom line. The key to controlling compensation is to sell value not just price (pay) when it comes to working for your agency. For most employees, there is some minimum level of

continued on page 4

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## BEST PRACTICES BENCHMARKS: COMPENSATION EXPENSES

(Continued)

pay expected based on their perception of worth and needs. Once that is met, quality of the employment experience is more important than compensation. Here are some strategies best-practicing agencies are using to minimize pressure on payrolls:

**Establish a Formal Wage Plan** – Having a fair, competitive and viable formal wage plan and communicating how pay is determined in your agency will minimize compensation issues as a distraction.

**Identify Shared Interests**  
– Identify the needs,

wants and aspirations of your employees and align agency vision, values and strategy with their interests. Maybe you can't meet their financial aspirations today, but show them how together, you can meet them in the future.

**Foster Extensive Two-Way Communication**  
– Regular, mutual communication is essential for cultivating a sense of engagement on the part of employees. At a minimum, communication avenues should include regular state-of-the-agency meetings, a formal feedback process and proper grievance procedures to vent frustration up the chain of command.

**Build Social Capital** – Social capital theory states that individuals maintain greater organizational commitment when they feel connected in a positive way to one another. You can foster social capital by providing opportunities for staff to share common experiences or pursue a common worthy project.

**Champion Employee Growth** – Though it is no longer feasible to commit to lifetime employment for your employees, you can commit to their lifetime employability by providing avenues for their personal and professional development.



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## WHERE DO YOU KEEP YOUR STUFF?

**You have probably encountered a business owner who chose not to provide coverage on a building located on the premises because of its age or value.** That can present a problem should that structure be used for storing more valuable business personal property during the policy term.

The **ISO Building and Personal Property** form includes coverage for Business Property in the open. However, it will only extend coverage to property within a building or

structure that is described in the declarations. Therefore, if your customer decides to store some contents, even temporarily, in a building they did not want insured, those items are uninsured. The form provides coverage for temporarily storing property in a portable storage unit on the premises. However, coverage is limited to \$10,000 and only lasts for 90 days.

**The solution is to show all buildings on the premises and provide a blanket limit for business personal property which**

**would then provide coverage for property in each building and for any property in the open.** If the customer insists that the building and contents shouldn't be insured, have the customer sign a statement outlining that coverage doesn't exist for the building or any contents that may be stored within.

A photograph of a woman in a traditional Indian sari, with her arms outstretched, balancing on the trunk of a large elephant. The elephant is facing right, and the woman is positioned on top of its trunk. The background is a soft, out-of-focus natural setting.

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# 2015 Young Agents Conference

Independent Insurance Agents of Mississippi and  
Independent Insurance Agents & Brokers of Louisiana  
IP Casino Resort Spa – Biloxi, Mississippi – August 6-8, 2015

## Who Should Attend

This event is designed for all agency personnel—regardless of age—who are looking to expand their skills, network and share information with fellow agents, and strengthen relationships with company representatives. You will earn 6 hours of valuable continuing education credit, meet and share ideas with fellow agents, and have the chance for one-on-one contact with company representatives at events including the “Meet the Sponsors” luncheon.

## Meeting Venue/Accommodations

This year’s Young Agents Conference moves to the newly renovated IP Casino Resort Spa. The IP boasts a 70,000 square foot casino; eight restaurants which offer a range of dining experiences including two AAA Four Diamond offerings: Thirty-Two, a steak and seafood restaurant, and Tien, an upscale Asian restaurant; the Sense Spa and Salon; and a pool and fitness center. Go to [www.ipbiloxi.com](http://www.ipbiloxi.com) to see this beautifully renovated hotel. The room rates for the conference are \$79.99 for Thursday night and \$149.99 per night for Friday and Saturday, plus a 5% resort fee. Reservations can be made online at [www.ipbiloxi.com/groups](http://www.ipbiloxi.com/groups) or by calling 888-946-2847. The group rate code is S15316 or you can ask by phone for the Mississippi & Louisiana Young Agents rate. **These group rates will expire on July 24, 2015, so make your reservations today.**

## Continuing Education Seminars

Paul Martin will be our first instructor and will present three continuing education hours on “What I Learned on my Summer Vacation.” The purpose of this course is to help participants improve their customer service by examining standards of performance of leading organizations and patterning individual practices on known principles of success. On Saturday, Swiss Re will present an interactive E&O Mock Trial that will also be approved for three hours of continuing education.

## Tentative Agenda

### Thursday, August 6

12:00 p.m. Golf Shotgun Start  
(transportation and lunch included)  
*Shell Landing Golf Course*

### Friday, August 7

1:00 - 4:00 p.m. “What I Learned on my Summer  
Vacation” - Paul Martin  
4:00 - 5:00 p.m. Roundtable Discussions  
6:00 - 7:00 p.m. Welcome Reception

### Saturday, August 8

8:45 a.m. Continental Breakfast  
9:00 a.m. - 12:00 p.m. E&O *Mock Trial*  
*Presented by Swiss Re*  
12:00 - 1:30 p.m. “Meet the Sponsors” Luncheon  
6:00 - 7:00 p.m. Cocktail Reception

## Does The Right Hand Know What The Left Hand Is Doing?

By Annette Hollingsworth, J.D., CPCU, CLU, ARC, Vice President, Swiss Re Corporate

As technology allows the ability to service large groups of clients more efficiently, many agencies are increasingly expanding their reach beyond the confines of one metropolitan area. In order to better service their customer base, agencies may open additional locations or may acquire existing entities to expand their business. The management of multiple locations creates new challenges and those challenges if not handled correctly may lead to increased opportunities for error.

Controlled growth whether organic or through acquisition can increase

efficiencies and reduce cost. However, it is important to manage that growth. Be sure that the "right hand knows what the left hand is doing". Consistent culture, compliance and communication throughout the agency at all locations, is essential to prevent confusion and potential claims which may otherwise arise from acquisitions and dispersed locations.

### **Make sure all staff understands your agency culture.**

Owners, producers, agents, CSR's and all staff must understand the focus of the business. If the agency's

stated focus is on personal lines, then the agency should not deviate into complex specialized lines. If the agency focus is on certain niches of business, the agency should train their agents and supporting staff on how to service those markets. Often claims begin when the agency attempts to sell insurance products with which it is unfamiliar. Understand your focus. If you are acquiring agencies, acquire those that fit your vision. Then share your vision with all staff at every agency location on a regular basis. Help your team see what the agency is trying to accomplish and how each person can contribute



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# Welcome!

## IIABL New Member

### Tips Agency, LLC Metairie

## Does The Right Hand Know What The Left Hand Is Doing? (continued)

by staying focused on the goals of the entire organization.

When the workload is heavy and clients demand your attention at your primary agency location, it can be difficult to give your attention to the other office locations. But in order to keep those other locations in line with your vision, you must provide them with the attention they need. You should try to visit your other agency locations frequently, at least once a month. Visit each site for a long enough time that the each site does not put on a front for you but actually reveals to you its true method

of operation. By allowing each office to become comfortable with your visits, you can build trust and familiarity.

The agents and staff at each location must feel close enough to the primary agency to be able to ask questions, share problems and seek feedback.

### **Establish uniform office procedures and a standard system of compliance.**

Each province has regulations to protect their own citizens. If you locate a branch office or even a teleworker, in another state, you must research

licensing and other business regulations impacting your insurance operation. Failure to comply with regulatory requirements could lead to regulatory investigation, disciplinary action, or even the possible revocation of your license. If adjustments are needed to be made as a result of the regulations do not begin operating your business until you comply with the law.

For example, an agency had a CSR move to another state and began working remotely as a clerical assistant to their Personal Lines Manager. This employee's job description

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## Does The Right Hand Know What The Left Hand Is Doing? (continued)

did not entail discussing or recommending coverage with clients, and the agency believed that her job description was in line with the requirements of the state department of insurance. However the department viewed it differently and fined the agency \$7,000 for the employee not having the proper license and viewed the tasks performed by this employee as "effectuating the sale of coverage". As soon as the agency was notified of the infraction, they made changes to her job description and directed her to acquire the proper license. They then established a Director of

Compliance and Compliance Committee to monitor the activities on an ongoing basis.

Standard operating procedures will enhance the efficiency and management of multiple agency locations. Staff can transfer among agencies, without extensive readjustment. The essential procedures should not vary. Each agency should have similar procedures regarding date-identification of communication with clients and carriers. Additionally, documentation of coverage offered and rejected, and maintenance of expiration lists should be standardized.

This excerpt from a letter we received from the attorney retained to defend an insured, reveals the difficulties in offering a defense when procedures are not followed. The litigation arose from damage sustained by a commercial enterprise where the carrier argued that the agency had not provided the necessary information for the carrier to quote coverage, despite several requests. Counsel stated the agency "has no documentation that it sent the proper information and the agent who worked on the account left the agency several years ago on unfavorable terms. The

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## Check Marks the Spot!

### Are your personnel using exposure questionnaires and coverage checklist when working with customers?

Looking at the scope of an insurance agent's job, I am constantly amazed at the knowledge and understanding of insurance that it takes to offer top-notch service to a very diverse group of customers. One day it is meeting to discuss the medical malpractice needs of a doctor, the next making sure a father is comfortable with the limits of his personal umbrella policy. Let's face it, identifying the risk exposures of customers can be difficult when dealing with such diverse operations, activities, assets, and buying tendencies of customers. A couple of tools that agents can benefit from using are industry specific exposure questionnaires and coverage checklists.

**Analyze Customer Exposure** Not only can questionnaires simplify and focus the exposure analysis but they are useful tools in controlling potential E&O claims involving failure to recommend coverage and other risk assessment errors. Using the questionnaire gives agents a track to run on. When they sit with a customer during the risk assessment and learning process, the questionnaire is their guide. Questionnaires "remember" all the questions an agent needs to ask to get all the information regarding the risk. It does not matter if it is a personal or commercial lines customer.

As you identify exposures for potential customers, find out if their current coverage protects against these exposures and if it does not, explain why this coverage is important. This will help the customer understand existing exposures and allow for clarification of coverage needs. The customer will be impressed with your level of professionalism and comfortable with your insurance knowledge. If you identify a unique exposure which may be difficult to insure, it is important that you make the customer aware of that.

### Document, Document

Using questionnaires and coverage checklists provides thorough documentation for customer files. Too often in E&O claims it is the customer's word against the agent's. This makes it difficult

or almost impossible for E&O carriers to make a solid defense on the agent's behalf. Agencies also experience staff turnover which may limit the ability to defend E&O claims if there is not a well documented file. Coverage checklists have areas beside each coverage description allowing for the agent to check one of

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- ✓ Improve the knowledge and professionalism of agency staff, creating opportunities for growth.
- ✓ Provide agency staff with tools that will allow them to better understand the coverage needs of customers and assist them in meeting those needs, all while offering valuable file documentation should an E&O claim arise.
- ✓ Provide promotional content to more effectively market the agency's services and demonstrate knowledge.
- ✓ Avoid E&O claims relating to failure to identify customer exposure and failure to offer proper coverage.

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## Check Marks the Spot!

*Are your personnel using exposure questionnaires and coverage checklist when working with customers?*

the following: no exposure exists, recommended and accepted, or recommended and rejected. They also provide an area for the customer to initial next to any coverages that are rejected and for signatures at the bottom of the checklist. It may be a good idea to outline on the coverage checklist any responsibilities that the customer needs to perform before coverage can be bound. Keeping this completed and signed checklist and the exposure questionnaire in the customer's file can prove to be an invaluable defense tool should an E&O claim be made.

### Grow the Pie

A final benefit of using exposure questionnaires and coverage checklists is the ability to grow your agency's book of business. Using these tools increases your agency's ability to identify additional exposures and sell additional coverage. During the exposure analysis process with the customer you may uncover and explain exposures that they had never contemplated but want to insure. In turn, you are growing your book of business.

With so many types of insurance coverage and

so many different policy nuances, coupled with the diverse group of customers that insurance agents serve, exposure questionnaires and coverage checklists are invaluable to agents. Reducing your agency's E&O exposures for failure to recommend or identify coverage needed, better documentation in the customers file, and an opportunity to facilitate agency growth are all benefits of using exposure questionnaires and coverage checklists. If check doesn't mark the spot for all of your agency's employees, it should.





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## Does The Right Hand Know What The Left Hand Is Doing? (continued)

agent's CSR says the agent was not detail oriented, was not good about providing information, and often made mistakes." Defense counsel opined that it was highly likely the judge will rule that the agency failed to provide the necessary information. The agency itself had a strong culture of compliance but suffered from one agent who had not followed the standard office procedures established and who, thus, created a significant problem for the agency.

In addition to implementing uniform procedures

around the process of file documentation, the agency should also implement uniform procedures for diary and suspense systems. There should be a centralized agency management system and computers in each location should be compatible with one another. In fact, it is likely that computer systems will become a backbone for your organization as offices are spread out geographically. Additionally, it is essential that you ensure adequate security of personal information acquired from your insureds, and that you provide proper privacy training to all employees. The use of encryption

and other measures to protect personal data when transmitted is important. If employees use smart phones, verify the phones are password protected.

As part of the establishment of standardized procedures, make sure the staff in each location knows the method to report an errors and omissions situation. Establish and discuss the procedure with all agents and employees. Do so regularly to prevent hesitation in reporting at the time of occurrence. Don't let problems linger. Delays could create coverage issues with your professional

**continued on page 16**



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## Does The Right Hand Know What The Left Hand Is Doing? (continued)

liability carrier.

### **Communication is a key to successfully running multiple locations.**

Free and open communication with all staff is very important when you have multiple locations. Neither the culture nor the compliance can happen if you neglect to focus on communication. Have weekly staff meetings by phone or webinar. Have your office personnel get together at least once or twice a year to enhance communication between people on all levels.

Communicate your vision to all managers in all

locations and they in turn must commit to clearly communicating your vision to others in the off-site agencies. Regular audits and evaluations of the manager and the office are critical to making sure your vision is being carried out according to your expectations.

While striving for positive energy in your organization, do not avoid discussing problem situations. Consider learning opportunities which may present themselves from potential claims situations. Educate your employees about

the situations which have created problems in one office so other office sites can avoid the same mistake.

Growth is positive when controlled but be sure that the "right hand knows what the left hand is doing". Consistent culture, compliance and communication throughout the agency at all locations, can be essential to preventing confusion and potential claims which may otherwise arise from acquisitions and dispersed locations.



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## COMMISSIONER JIM DONELON

### Department of Insurance Legislation

Following the conclusion of the 2015 Regular Session of the Legislature, we are starting Fiscal Year 2015-2016 with the reorganization of the Louisiana Department of Insurance (LDI). This was one of the outcomes of the fiscal session where budget talk dominated discussions and debate. In this latest column, I will address some of the approved legislation that may be of interest to you.

Over the last year, we solicited input internally and externally to find ways to most efficiently operate as a regulatory agency. This resulted in SB 216 which authorizes the reorganization of the LDI. Among the changes are the move of life and annuities form and rate filing out of the Office of Licensing and into the newly renamed Office of Health, Life and Annuity. The move to Health more accurately reflects the nature of these lines. Additionally, the Division of Minority Affairs has been renamed the Division of Diversity and Opportunity and moved into the newly expanded Office of Consumer Advocacy and Diversity where it will be supported in its outreach efforts by the Consumer Advocacy staff.

Perhaps the most significant change addressed by the reorganization is the creation of an Office of Consumer Services that will, among other things, receive and process consumer complaints and perform market conduct analysis and examination. Housing complaint

handling in a single office, instead of having people assigned throughout the agency by product line, will improve efficiencies while providing for a centralized location. We feel the reorganization resulting from the legislation is a common sense approach that addresses the concerns of consumers as well as those of the individuals and entities we regulate.

Other measures of interest include HB 184 which provides an exemption from examination for renewal of a resident producer license when they apply within two years of their license expiration. The previous window had been five years. This legislation is a follow-up to Act 118 of the 2014

You can find legislative digests on bills in their entirety by logging onto the Legislature's website at [www.legis.la.gov](http://www.legis.la.gov) and clicking on bill search in the 2015 Regular Session section.

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Regular Session which reduced the time in which a producer license may be reinstated after lapsing from five years to two years provided continuing education requirements are met and reinstatement fees are paid.

SB 172, the Transportation Network Company Motor Vehicle Responsibility Law, was based on a compromise model bill that was supported by the American Insurance Association (AIA), the Property and Casualty Insurers Association of America (PCIAA), several major insurers as well as the transportation network companies. It establishes insurance guidelines for ridesharing companies and their drivers. The law's provisions include required coverage in the "pre-trip acceptance period" when the driver is logged on to the transportation network company's digital network through the application, or "app", but has not yet been matched with a passenger. The law mandates primary insurance coverage of \$50,000 for death and bodily injury per person, \$100,000 for death and bodily injury per incident and \$25,000 for property damage during this pre-trip acceptance period. Uninsured/undersinsured motorist coverage is required pursuant to La. R.S. 22:1295, which governs the offer to and acceptance or rejection of such coverage by the insured.

Once a driver is matched with a passenger and for the duration of the ride, the driver must be covered by a \$1 million policy for death/personal injury/property damage as well as uninsured/underinsured motorist coverage in accordance with La. R.S. 22:1295.

The required transportation network company (TNC) insurance may be provided by the driver, the TNC, or a combination of both. Regardless of any insurance carried by a driver, a TNC must maintain at all times a policy of insurance that would assume responsibility for payment of a claim from the first dollar in the event a driver's

insurance failed or did not cover the required minimum limits. Nothing in the bill preempts municipal or parochial regulation of ridesharing. The law also states that insurers writing auto insurance in Louisiana may exclude any or all coverage afforded under a policy issued to a driver who is logged onto a TNC network.

HB 259 repeals my authority to enter the Nonadmitted Insurance Multi-State Agreement (NIMA) or other surplus lines tax-sharing compacts or agreements with other states. In addition to withdrawing from NIMA, the bill lowers the surplus lines tax rate from 5 percent to 4.85 percent and expands the tax base to include premium allocated to other states who tax our share of exposure on a policy covering risks in Louisiana to achieve revenue neutrality. Withdrawal from NIMA would eliminate

continued on page 20

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## COMMISSIONER JIM DONELON (continued)

the clearinghouse fees paid to the Florida Surplus Lines Service Office by Louisiana policyholders. The withdrawal is to take effect on October 1, 2015.

You can find legislative digests on bills in their entirety by logging onto the Legislature's website at [www.legis.la.gov](http://www.legis.la.gov) and clicking on bill search in the 2015 Regular Session section. **Highlights of the legislative session will also be addressed at the Louisiana Insurers' Conference Compliance Seminar and Legislative Review which is scheduled to take place in Baton Rouge on August 5-7.**

**For more information and an agenda of the seminar, please visit our website [www.ldi.la.gov](http://www.ldi.la.gov).**



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## Louisiana Legislature Increases MVR Fees

As part of the effort to increase state revenues in the recent 2015 Session, the Louisiana Legislature increased MVR fees by \$10.

For additional information, please click the following link to visit the Louisiana Department of Public Safety website:  
<https://expresslane.dps.louisiana.gov/ODRPublic/ODR1.aspx>

## WORKERS' COMPENSATION EDUCATIONAL CONFERENCE

Now in its 70th year, the [Workers' Compensation Educational Conference](#) is the must-attend event for C-level executives, risk managers, claims adjusters, insurers, and medical and legal experts. Presented by the Workers' Compensation Institute, the conference offers attendees an extraordinary opportunity to connect with their peers and learn from nationally recognized experts. The 2015 Workers' Compensation Educational Conference will be held August 23-26 at the Orlando World Center Marriott. [Registration](#) is now open.

The newest program offerings for this year's [Workers' Compensation](#)

[Educational Conference](#) (August 23-26, 2015, Orlando) are the [breakout sessions for agents/brokers](#) sponsored by the [National Council on Compensation Insurance](#) (NCCI). Designated as a series of educational sessions for agents and brokers, in reality they have applicability to all players in the workers' compensation system regardless of the state or jurisdiction. In fact, Continuing Education Credits (CEUs) have been obtained in nine states for agents and brokers.

Numerous NCCI handouts will be available for distribution/purchase and experts from NCCI can answer your questions. As

provided in the registration forms, it would be appreciated if attendees would pre-register their attendance at these sessions to ensure that sufficient handouts are available for distribution.

These NCCI breakouts are intended to be an annual part of the Workers' Compensation Educational Conference providing ongoing updates of current and future rule developments. We welcome any comments or recommendations that attendees might have to improve what is being offered in these sessions.

**Please [click here](#) for additional information and to register.**



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# IIABL Upcoming CALENDAR OF EVENTS

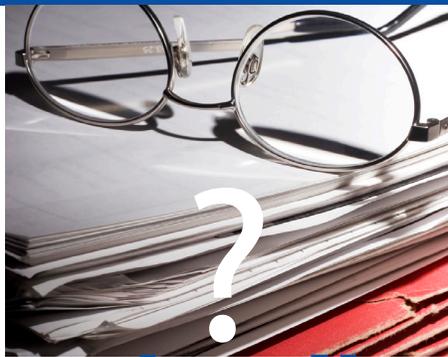
July 21, 2015	<a href="#">CL &amp; Risk Mgmt. Case Study Part 1</a> Instructor: John Eubank (filed for 3 CE)	Monroe 9am – 12pm
July 21, 2015	<a href="#">CL &amp; Risk Mgmt. Case Study Part 2</a> Instructor: John Eubank (filed for 3 CE)	Monroe 1pm – 4pm
July 21, 2015	<a href="#">Commercial Property Endorsements</a> Approved for 2 hours CE	Webcast 9am – 11am
July 21, 2015	<a href="#">Make the Wholesaler your BFF!</a> Approved for 2 hours CE	Webcast 9am – 11am
July 21, 2015	<a href="#">Agency Management Based E&amp;O and Ethics</a> Approved for 3 hours CE & 3 hours Ethics	Webcast 12pm – 3pm
July 22, 2015	<a href="#">CL &amp; Risk Mgmt. Case Study Part 1</a> Instructor: John Eubank (filed for 3 CE)	Lafayette 9am – 12pm
July 22, 2015	<a href="#">CL &amp; Risk Mgmt. Case Study Part 2</a> Instructor: John Eubank (filed for 3 CE)	Lafayette 1pm – 4pm
July 23, 2015	<a href="#">CL &amp; Risk Mgmt. Case Study Part 1</a> Instructor: John Eubank (filed for 3 CE)	Baton Rouge 9am – 12pm
July 23, 2015	<a href="#">CL &amp; Risk Mgmt. Case Study Part 2</a> Instructor: John Eubank (filed for 3 CE)	Baton Rouge 1pm – 4pm
July 23, 2015	<a href="#">E&amp;O Risk Management Part 1</a> Approved for 3 hours CE & 3 Hours Ethics	Webcast 9am – 12pm
July 23, 2015	<a href="#">E&amp;O Risk Management</a> Approved for 3 hours CE & 3 hours Ethics	Webcast 9am – 3:30pm
July 23, 2015	<a href="#">E&amp;O Risk Management Part 2</a> Approved for 3 hours CE & 3 Hours Ethics	Webcast 1pm – 4pm
July 24, 2015	<a href="#">CL &amp; Risk Mgmt. Case Study Part 1</a> Instructor: John Eubank (filed for 3 CE)	Kenner 9am – 12pm
July 24, 2015	<a href="#">CL &amp; Risk Mgmt. Case Study Part 2</a> Instructor: John Eubank (filed for 3 CE)	Kenner 1pm – 4pm

***For additional information on the seminars or webcast please call the IIABL office at (225) 819-8007. Kim Jackson will be happy to answer any questions.***

**Q.** Last week, our agency had a retirement party for one of our employees at a restaurant I insure. I have known the owner for many years, and as the party was wrapping up, she asked my advice on a personal situation.

Her daughter moved home about six months ago, after having a run of bad luck. She had moved out of state two years ago, after graduating from culinary school. She got a great job, but later quit that job to start a food truck with her boyfriend. He got into drugs, and she maxed out her credit cards and emptied her savings account, trying to keep the business going. She even sold her car, but they finally broke up, and she moved home...broke.

She began working at her mom's restaurant, and has finally gotten back on her feet, but her credit score hasn't improved enough yet to get a decent car loan. Her mom is in the process of opening a second restaurant in a nearby town, and is willing to loan her a car for an extended period of time (probably a year), until she can get her credit restored. The daughter will manage the new restaurant, and has rented an apartment close by. The plan is that once the new restaurant is up and running, they will add a food truck, featuring



## Ask Mike

**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](mailto:medwards65@aol.com) or call (678) 513-4390.**

***Subject: Should Mom Loan Her Daughter a Personal Vehicle or a Company Car?***

the restaurant's food, and some specialty items the daughter will create.

So my insured wants to know which would be better from an insurance standpoint: loan her daughter one of her personal vehicles, or a company car. I write the restaurant's insurance now, and think this might be a good opportunity to write her personal insurance.

**A.** There are times when insurance situations can be as riveting and poignant as any TV drama, and this might be one. Let's hope it has a happy ending for both mom and daughter.

For the discussion which follows, assume the following: (1) Jill Smith owns Lakefront Bistro, Inc. (2) Lakefront Bistro is the named insured on a BAP (Business

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Auto Policy), which has two declared autos – a Ford Explorer, and a Ford Transit van, both titled to the corporation. (3) Jill has a Lincoln MKX and a Ford F-350 pickup, both titled in her personal name, and insured on a PAP (Personal Auto Policy). (4) Jill's 28-year-old daughter Jillette recently moved to a nearby city, and no longer resides with Jill. She does not own an auto or have a PAP in her personal name. (5) All coverage excerpts and commentary below are from ISO (Insurance Services Office) forms and endorsements. Proprietary forms may be different.

Here are my thoughts on Jill's two options for providing Jillette with an auto.

**Option #1: Jill loans Jillette the F-350 pickup (insured on Jill's PAP).**  
Coverage in unendorsed PAP (Named Insured is Jill Smith)

**Personal Auto Policy**

**PP 00 01 01 05**

**Part A – Liability Coverage**

**B. "Insured" as used in this Part means:**

1. You or any "family member" for the ownership, maintenance or use of any auto or "trailer".
2. Any person using "your covered auto".

# Ask Mike

continued

Comments:

**(1)** Jillette is an insured for liability coverage under **B.2.** in Jill's PAP only while she is using the F-350 (or the Lincoln, which is also a "covered auto" on Jill's PAP).

**(2)** Since Jillette is no longer residing with Jill, she is not an insured for liability coverage under **B.1.**, as a "family member."

**(3)** Medical Payments and Uninsured Motorists (UM) coverages in Jill's PAP have the same provisions.

Gaps & Solutions:

**(1)** If Jillette is driving

or occupying a friend's auto, or a rental car, or is injured by an auto while a pedestrian, she has no coverage (liability, medical payments, UM, or physical damage) under Jill's PAP. A common misconception is that if Jillette is shown as a "Driver" on Jill's PAP, coverage for her under Jill's PAP will follow Jillette into any auto. The PAP excerpt immediately above clearly does not include such a provision. Under ISO rules and procedures, listing drivers is a rating issue only.

**(2)** In My Perfect Insurance World (MPIW), Jillette would get a Named Non-Owner (NNO) policy (PP 03 22) in her name.

continued on page 26



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# Ask Mike

continued

One important note is that the current edition (PP 03 22 01 05) of the ISO NNO policy excludes autos “furnished or available” for Jillette’s regular use (Jill’s pickup truck). However, ISO provides a buy-back option. The previous edition (PP 03 22 06 98), did not have this exclusion. Be sure and notify Jill’s PAP insurer that Jillette is now the principal operator of the pickup, and it is garaged in another city. Most insurers will treat this like a kid having a family car at college (rated where principally garaged).

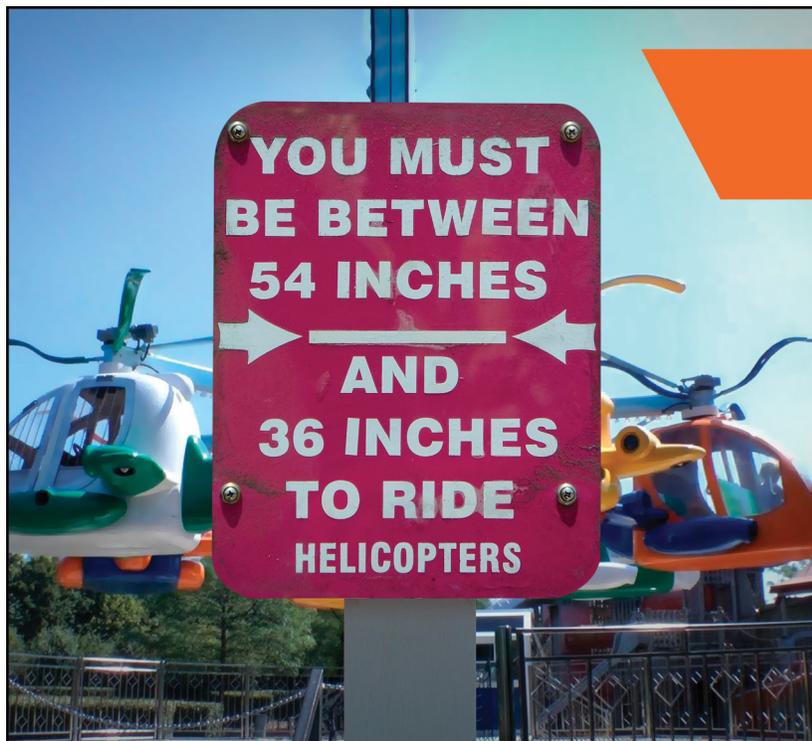
(3) Alternatively, in MPIW, Jill could sell or gift the F-350 to Jillette, so that the truck is in Jillette’s name. This would allow

Jillette to get a regular PAP in her own name.

(4) Another option some insurers offer is to issue Jillette a PAP in her own name, even though the F-350 is in Jill’s name. When this is done, most will then add Jill as an “additional insured” or “additional interest” to Jillette’s PAP. Jill then deletes the pickup truck from her PAP. However, this option isn’t done in MPIW. For one thing, Jill will have no coverage under her own PAP for the F-350, since her PAP excludes any auto she owns that is not declared (with the exception of certain

newly acquired autos). In addition, since ISO has no additional insured (AI) endorsement (none is generally needed – see article linked below), each proprietary AI endorsement is different. The ones I’ve seen only provide the person named (as an “Additional Insured” or as an “Additional Interest”) with *vicarious* liability coverage. However, if Jill retains responsibility for the maintenance of the pickup truck (tires, brakes, etc.), she would not be covered under the AI endorsement for her *direct* liability for negligent maintenance, or any other direct tort (delict).

## Option #2: Jill loans



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**Jillette the Explorer  
(insured on the BAP).**  
Coverage in unendorsed  
BAP (Named Insured is  
Lakefront Bistro, Inc.):

**Business Auto  
Coverage Form  
CA 00 01 10 13  
Section II –  
Covered Autos Liability  
Coverage**

**A.1. Who Is An  
Insured**

*The following are  
"insureds":*

- a. You for any  
covered "auto".*
- b. Anyone else while  
using with your  
permission a covered  
"auto" you own, hire  
or borrow*

Comments:

**(1)** Jillette is an insured  
in under **A.1.b.**, meaning

# Ask Mike

**continued**

the BAP provides her with liability coverage only for her usage of an auto that Lakefront Bistro, Inc. *owns, hires, or borrows.*

**(2)** If the BAP has the Medical Payments endorsement (CA 99 03), and/or the Uninsured Motorists endorsement (CA 21 48, or similar), Jillette would only have coverage while occupying a Covered Auto for those coverages. Since she does not reside with Jill anymore, she loses her "family member" coverage, which follows family members into other autos, or as pedestrians. This is the same gap she had in Jill's PAP (see

above).

Gaps & Solutions:

**(1)** If Jillette is driving or occupying a friend's auto, or a rental car, etc., she has no coverage under the BAP.

**(2)** The Drive Other Car (DOC) endorsement (CA 99 10) could be attached to the BAP, with Jillette named in the Schedule. This endorsement provides coverages that approximate Jillette having a PAP. Any or all of these coverages can be written on a DOC: liability, medical payments, UM, and physical damage.

**(3)** However, in MPIW, I have reservations about using a DOC for Jillette in this situation. Certainly, many small businesses

**continued on page 28**

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provide company-owned autos to family members, but admittedly being Old School, I prefer to keep personal insurance and business insurance separate.

Here are my concerns about Jillette having a company car full time, in another city, with her added to the DOC on Lakefront Bistro's BAP. First, since coverage is provided to Jillette for both business and personal use, in the Ford F-350 or any other auto, the exposure for the restaurant is increased. Second, Jill has virtually no control over who drives the company-owned pickup truck, which increases the potential risk to the restaurant's assets even more. For example, what if Jillette's boyfriend suddenly

# Ask Mike

continued

comes back in her life, but still has his drug problem, and she lets him drive the pickup truck.

**Food truck.** I would pursue the issue of the restaurant's plans to add a food truck. There are some unique coverage issues with food trucks (business income and crime, for example), and I think giving Jill and Jillette a heads-up on that would be a good idea for their future reference. See links below on this. In addition, there are several niche markets that have programs for food trucks. By laying the ground work now for insuring the food truck once they start

operating it, you won't get that call later about a claim, with you saying, "WHAT food truck? When did you get a food truck?"

General comments:

**(1)** If you do have the opportunity to write Jill's personal insurance, I would inquire about why Jill owns the big F-350. That is not your everyday, drive-around-town vehicle, and suggests that Jill may own a trailer (boat/horse, etc.), or might also own a farm or ranch. Or, she might pull some sort of specialty trailer owned by Lakefront Bistro, in conjunction with the restaurant's business, such as catering.

**(2)** If Jillette gets a PAP in her own name (a Named

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Non-Owner or regular PAP), there is a possibility that with her present credit score, she might get a proprietary PAP that offers less coverage than the ISO PAP. In particular, many non-ISO PAPs do not provide coverage for a vehicle over 10,000 GVW (the F-350 is over 13,000 GVW). ISO has no exclusion for such vehicles.

**Additional information:**

["The PAP & Additional Insureds"](#)

["PAP vs. BAP: Which Is Better?"](#)

# Ask Mike

continued

["Is DOC Needed if the BAP Has Symbol 1?"](#)

["Personal Vehicle Pulling Business-Owned Trailer"](#)

["Insuring Food Trucks: Common Exposures in Uncommon Circumstances"](#)

["Food Truck Claim: BAP or CGL?"](#)

***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.***

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Martin Perret

Quality Plus, Lafayette

David T. Perry

Arthur J. Gallagher Risk Management Services,  
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Riviere Insurance Agency, Thibodaux

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Schwing Insurance Agency, Inc., New Iberia

Michael D. Scriber

Scriber Insurance Services, Ruston

Donelson P. Stiel

David H. Stiel, Jr. Agency, Franklin