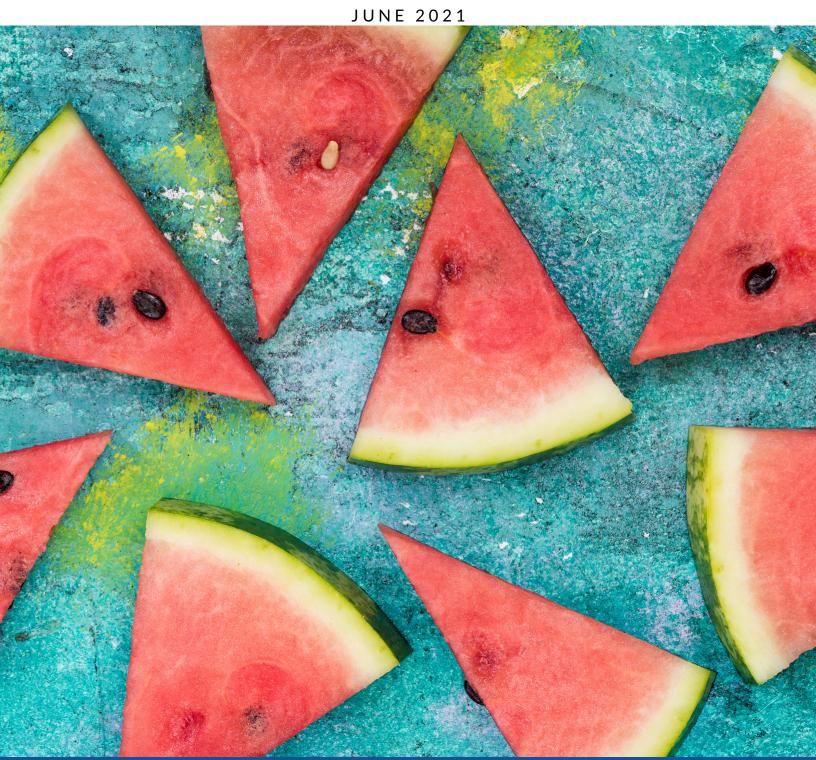
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Why It Will Change the Industry Equity in Action New Timeline Page 19, 25, 29



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LEGISLATIVEUPDATE

IIABL Legislative Summary

JEFF ALBRIGHT, IIABL CEO



IIABL TOP PRIORITY BILLS

SB 29 by Sen. Mark Abraham

- Authorizes commissioner to issue emergency rules
- Oversight by SIC, HIC & governor
- Limits geography and time of rules
- Limit types of emergency actions
- Postpone cancellations & nonrenewals 60-days
- Additional time must be approved by SIC & HIC
- Grace periods for payment of premiums
- Emergency medical services

SB 54 by Sen. Jay Luneau

- Require form to disclose homeowner's wind deductible
- Form must be signed by the named insured
- Modeled after the UM selection form
- Form becomes part of the insurance policy
- Passed Senate 37-0 but killed in HIC

DEFENSE: BAD BILLS -AMENDED OR KILLED

SB 55 by Sen. Jay Luneau

- Prohibits use of certain rating factors in insurance
- Prohibit the use of credit score/rating
- Status of insured as a widow or widower or gender over age 25
- IIABL opposed SB 55 which failed to pass SIC

HB 467 by Rep. Edmond Jordan

- Prohibits use of certain rating factors in automobile insurance
- Prohibit use of credit score/rating, education level or occupation
- IIABL opposed HB 467 which failed to pass the House floor 37-51

HB 469 by Rep. Ed Larvadain

- Inspection by claims adjuster if proof of loss
- Increase bad faith penalties from 50% to 200%
- IIABL opposed HB 469 which failed to pass the House floor 36-50

HB585 by Rep. Brett Geymann

- Original bill punitive and heavily amended
- Requires insurer to provide field adjuster's report
- Increases minimum bad faith penalty \$1000 to \$2,500
- IIABL opposed original bill but neutral on amended bill

HB 463 by Rep. John IIIg

- LDI bill to authorize statebased health insurance exchange
- 2% fee on group health insurance premiums
- Provide reinsurance to the individual health insurance market
- IIABL opposed HB 263 which Rep. Illg voluntarily deferred in HIC



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LEGISLATIVEUPDATE

Continued from page 6

POST HURRICANE PROPERTY INSURANCE BILLS

HB 457 by Rep. Gabe Firment

- Provides code of conduct & standards of care for claims adjusters
- Provides administrative penalties by LDI for violations
- IIABL supports HB 457 which passed the legislature

HB 458 by Rep. Gabe Firment

 After emergency, requires residential property insurance policies that include additional living expense to consider loss of water, electricity, sewer, or natural gas to be deemed uninhabitable for purposes of ALE Rep Firment deferred HB 458 in negotiations with insurance industry

HB 591 by Rep. Gabe Firment

- Establishes certain claims settlement practices by statute
- Standard procedures for determining depreciation on ACV policies
- Creates a standard appraisal arbitration process
- IIABL supports HB 591 which passed the legislature

SB 70 by Sen. Mark Abraham

- Limits admitted commercial property insurance wind deductibles to one deductible in each calendar year
- Does not apply to nonadmitted (surplus lines) insurers
- IIABL supports SB 70 which passed the legislature

OTHER INSURANCE BILLS

HB 577 by Rep. Scott McKnight

- Allows LDI to approve 4 types of private residential flood forms & rates
- Mandatory disclosure by the insurer whether the policy provides coverage equal / greater / less than the standard NFIP policy
- Mandatory signed disclosure of potential loss of pre-FIRM grandfather status moving from NFIP to private flood policy
- IIABL supports HB 577 which passed the legislature

SB 131 by Sen. Robert Mills

 Prohibits admitted insurers from including defense within limits of liability except for certain specified liability coverages

- Does not apply to nonadmitted (surplus lines) insurers
- Requires written disclosure on dec page if defense within limits
- IIABL supports SB 131 which passed the legislature
- Defense within limits is allowed on the following lines:
 - Professional liability (except medical malpractice)
 - Directors & officers liability
 - Errors & omissions liability
 - Pollution liability
 - Employment practices liability
 - Cyber risk liability
 - Information security & privacy liability
 - Combination commercial liability coverages

SB 244 by Sen. Jay Luneau

- Provides uniform definitions of employee & independent contractor
- Provides special programs to allow employers to reclassify
- Applies to employment related taxes
- Implications for Workers Compensation employee classifications

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LEGISLATIVEUPDATE

Continued from page 8

HB 386 by Rep. Les Farnum

- Appointment special masters in civil actions after major disaster declaration
- IIABL supports HB 386 which passed the legislature

SB 42 by Sen. Louie Bernard

- Requires notices of reinstatement of a casualty policy to go to all parties
- Brought by LDI at the request of IIABL
- IIABL supports SB 42 which passed the legislature

HB 15 by Rep. Sherman Mack

- Creates the crime of staging a motor vehicle collision
- IIABL Supports HB 15 which passed the legislature
- •

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*Excludes liability coverage associated with these features.







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URGENT ALERT

NEW STATUTE Mandates Action From Agents

By: Ben Albright IIABL Vice-President of Strategic Initiatives



In 2020, the Louisiana Legislature passed the "Insurance Data Security Law" which puts new requirements on anyone with a license from the Louisiana Department of Insurance. The law has 2 primary components: the mandate for a written information security plan and mandatory investigation and reporting of any cyber breach event to the commissioner's office. Agents MUST be in compliance with the statute NO LATER THAN AUGUST 1, 2021, so act now!

What do I need to do?

If you are an employee at an insurance agency/company/other regulated entity:

- 1. Ask the owner/manager of your business to confirm that they are satisfying the requirements of the Insurance Data Security Law on your behalf.
- 2. See the final section below to learn about your new legal obligation to report data breaches.



IIABL MEMBER BENEFIT

One of the many great benefits of your IIABL membership is the outstanding staff resources that can help you with many agency issues. When you have a question or a problem and do not know where to get help, "Ask Jeff" or "Ask Ben!" Jeff Albright and Ben Albright are available to assist you!

"Ask Jeff/Ask Ben" allows us to share important information that comes from the questions we receive from our member agents.

Continued on page 12

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URGENTALERT

Continued from page 11

If you own or manage an insurance agency/company/other regulated entity or if you are self-employed in an occupation regulated by the Department of Insurance:

Answer the following questions:

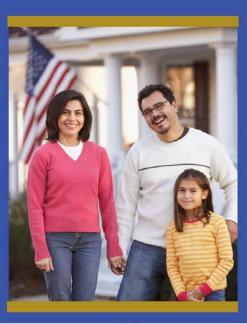
- 1. Does your business have fewer than 25 employees?
- 2. Does your business have less than \$5 million in gross annual revenue?
- 3. Does your business have less than \$10 million in year-end total assets?
- 4. Is your business subject to regulation under HIPAA or the Gramm-Leach-Bliley Act and maintaining an Information Security Program that satisfies the requirements of that act?
- 5. Is your business already subject to the data security laws of another jurisdiction which the Louisiana commissioner has approved as satisfying the same requirements, per the list in this department bulletin?

If you answered YES to AT LEAST ONE of those questions:

You are exempt from the first section of the act which requires the creation of a comprehensive written information security program. You are, however, still bound by the reporting requirements of the latter part of the act (see below).

If you answered NO to ALL OF those questions:

You must comply with ALL sections of the act and need to take immediate action. Start by reading <u>IIABL's Technical Advisory</u> which breaks down the law's intent and effects. IIABL's website also <u>offers resources</u> to begin your risk assessment and achieve compliance with the Insurance Data Security Law.





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URGENTALERT

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Everyone, whether exempted from the information security plan section of the act or not, is subject to the new investigation and reporting requirements mandated by the latter part of the statute.

- 1) If you are regulated by the Department of Insurance, you are required to investigate any potential cybersecurity event that might have affected your systems or nonpublic information stored by you or a third-party service provider.
- 2) Within 3 days of identifying the occurrence of an event, you are required to report (to the department) any cybersecurity event that has a reasonable likelihood:
 - 1. To harm a consumer residing in the state (for example, if nonpublic information was acquired by an unauthorized person in such a form that they might be able to use or release that information)
 - 2. To interrupt your normal business operations (for example, a "CryptoLocker" attack which encrypts your systems or data, denying your access)
- 3) The report should be made by sending the department's standard reporting form to cyber.report@ldi.la.gov.

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DOES CYBER INSURANCE MAKE RANSOMWARE ATTACKS WORSE?

By: Joshua J. Motta, Co-Founder & CEO of Coalition Inc.

Ransomware attacks require a whole suite of incident response and remediation from insurers, a response seen most recently in dealing with the Colonial Pipeline ransomware attack.

Does cyber insurance make ransomware attacks worse? An increasing number of articles on the topic would have you believe so, and it is a question we've long pondered at Coalition Inc., as one of the larger providers of cyber insurance in North America.

Last week, the WSJ published an article, "As Ransomware Proliferates, Insuring for It Becomes Costly and Questioned," highlighting a surge in the cost of cyber insurance amidst mounting claims from ransomware, and speculating that insurance payouts may only be encouraging even more ransomware attacks.

A spokesperson for Tenable stated it plainly: "[t]he insurance company pays the ransom, the criminals make more money, so they make more ransomware, which leads to more insurance, which leads to more payment, and so we get into this vicious cycle."

What Causes Ransomware?

Ransomware is not just a type of malware, it is a criminal business model in which the perpetrator seeks to obtain benefit by taking hostage a victim's data, infrastructure, economic output, intellectual property, or even privacy. It is extortion in its purest form, and it won't go away for so long as organizations allow assets of value to be taken hostage—whether an organization purchases insurance or not has no bearing on the value of the underlying assets taken hostage. Nor in the vast, vast majority of cases are organizations targeted because they have an insurance policy—this simply isn't information that an attacker has prior to an initial compromise.

Organizations are targeted by threat actors because they have made poor technological choices, oftentimes exposed to the public internet, that make them targets. They are targets of opportunity. Phishing, internet-exposed remote network access, and unpatched internet-facing software and devices account for the vast majority of

ransomware targeting and initial compromise.

Unfortunately, there are more opportunities than there are criminals to exploit them and, as a result, most ransomware actors prioritize targets based on their size and financial resources, which is used as a proxy for the value of assets taken hostage and the victim's ability to pay. We have seen first-hand communication between threat actors in which an organization gets a "pass" because they aren't large enough.

The Role of Insurance in Paying Ransoms

Nearly all cyber insurance policies cover ransomware, including ransom amounts, but also digital forensics and incident response (DFIR) costs to respond to the ransomware event, costs to restore and recover lost assets, as well as resulting business interruption losses, such as lost income. From our experience, no one wants to pay a ransom. Certainly not the insurance company, and almost never the client. Both have the same amount of hostility as if you'd kidnapped their children, and won't agree to pay a ransom

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RANSOMWAREATTACKS

Continued from page 15

unless it is a last resort. Often, assets can be restored without doing so, and with the insurance policy covering the other costs and lost incomeexactly as intended.

However, occasionally assets cannot be restored. No backups and no recourse. Pay the ransom or face existential ruin. This is the unenviable position some organizations find themselves in, and the majority do not have insurance. For those that do. there is coverage if the policyholder elects to pay.

Because it is impossible to ever be 100% secure 100% of the time, insurance is literally the only thing that can provide protection against the possible eventuality of a ransomware attack from which an organization has no other means to recover. Moreover, because insurance policies cover the costs of experienced insurance industry from DFIR vendors, or also provide such services directly as in our cybercrime. Not only do able to negotiate ransom demands—something a victim themselves would have a considerably more difficult time doing.

much worse the world would be without insurance. While some insurers are pulling back on coverage, and even eliminating it, and while there is chatter of public policy efforts to render extortion uninsurable, or otherwise

prevent extortion payments from being made, it would be a tremendous disservice to the organizations impacted by these attacks to prevent the continuing to innovate to fight case, insured organizations are insurance companies provide a tremendously valuable service, they have a unique ability to encourage—even enforce—the basic cybersecurity hygiene that is so desperately needed. They can also do so at a It is impossible to imagine how considerably lower cost than organizations can do themselves.

The Role of Insurance in Fighting CyberCrime

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RANSOMWAREATTACKS

Continued from page 16

cybercrime than the insurance industry.

Insurers have one thing in common that others do not: a direct financial incentive to protect insured clients and prevent financial loss.

To have an impact commensurate with our position, we must act to:

1) Improve underwriting standards across the board. In today's market an organization should struggle to get coverage if they have not implemented MFA, disabled remote network access on the internet, or implemented any

number of other highly effective security controls. The insurance industry can and is serving as one of the single most effective enforcers disenfranchise businesses, of cybersecurity hygiene at scale.

- 2) Provide risk engineering services to customers at little to no cost. Many insurance providers are now continuously collecting data on insureds and following claims, and using this information and learnings to alert other customers to imminent risks.
- 3) Maintain effective ransomware coverage for

those that need it most. This will mean balancing public policy objectives while avoiding actions that particularly small businesses. Moreover, any move to make ransomware "uninsurable" would likely—and ironically hinder, not foster, ongoing innovation in the cyber insurance market. Many, although not all, insurers have made dramatic progress in protecting clients from ransomware.

It is in the collective interest of all that, as an industry, we tackle this problem with innovation rather than merely regulation.







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WHY RISK RATING 2.0 WILL CHANGE THE INDUSTRY

By Joe Rossi, Flood Specialist, RogersGray Insurance, Chairman & Executive Director, Massachusetts Coastal Coalition

FEMA has branded Risk Rating 2.0 as "Equity in Action"—and it's easy to see why. It will revolutionize the way the NFIP rates are structured, making the process fairer and easier to understand for those looking to purchase federal flood insurance.

When FEMA announced the transformation of the National Flood Insurance Program (NFIP) with the updated and modernized rating program dubbed "Risk Rating 2.0," questions and concerns were raised from various industries.

Insurance agents were concerned with the potential impact on their books of business. Floodplain managers questioned how rating and mitigation would be linked. Homeowners and real estate professionals raised concerns about premiums and flood insurance requirements.

As FEMA begins to release details around Risk Rating 2.0 in 2021, it's clear that the NFIP transformation will not just impact insurance rating—it will impact the entire flood industry.

From private flood insurance companies to floodplain managers, each stakeholder will be influenced by Risk Rating 2.0's implementation. With better risk communication, different strategies around insurance rating, and solutions to past legislative concerns, the NFIP will be better positioned to close the massive flood insurance gap.

Surge in Interest

FEMA has branded Risk Rating 2.0 as "Equity in Action"—and it's easy to see why. Equity in Action will revolutionize the way the NFIP rates are structured, making the process fairer and easier to understand for those looking to purchase federal flood insurance. Equity in Action replaces the binary "in versus out" of flood zone pricing methodology and replaces it with "graduated" rating, which determines premiums based on factors such as distance to water; types of flood exposure, such as coastal erosion, riverine and ocean; and other advanced elements.

Equity in Action will also bring more equity to policyholders within the NFIP by partly basing rates on a building's replacement cost. The higher the replacement cost, the more expensive the premium could be, and vice versa.

Before FEMA released details of Equity in Action, there were numerous reports that rates could increase by thousands of dollars a year for NFIP policyholders, such as the First Street Foundation's estimation that the rates could be 4.5 times higher than they are today. Conversations and a media storm followed the release of that report.

A month later, FEMA's press release on Equity in Action and state fact sheets showing accurate rate changes were widely circulated:

- 11% of NFIP policyholders will see a premium increase of over \$120 per year.
- 63% of policyholders will see premium increases of \$0 to \$100 a year.
- 23% of NFIP policyholders will see a premium decrease.

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RISKRATING2.0

 60% of Pre-Flood Insurance Rate Map structures will see a premium reduction when the new rates become effective.

But within all of these discussions lies a bigger story: For the first time, those who never heard of or cared about flood risk began to talk about the topic.

Insureds are calling agents everywhere, asking what could happen to their house if flooded and if they should buy a flood insurance policy. Real estate agents are asking for tools to understand flood risk and having discussions with their clients about the flood risk of properties. Now, flood insurance is a mainstream conversation.

"With the NFIP splitting the initiation of new rating between Oct. 1, 2021, and April 1, 2022, agents should expect a high volume of policyholders requesting a quote to see their new rate," says Jim Albert, chairman and co-founder of Neptune Flood Insurance. "Since 77% of NFIP policies will be increasing due to Risk Rating 2.0, agents should quote private flood at the same time now and in the future."

Continued from page 19

Communication About Risk Simplified

In the past, it has been a challenge communicating to insureds how property modifications would lower their flood insurance premium.

As agents, our response to these questions is typically, "Elevate your building," or "Add venting to your enclosure." These actions often are not viable for our insureds. When mitigation options do exist, insureds ask,

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RISKRATING2.0

"How high should I elevate?"
"What's the most I can save?"
or "What's the cost to
mitigate?"

The coming changes to the NFIP bring better solutions and answers to these questions. Under Equity in Action, one such solution will be premium credits available for the elevation of mechanical equipment, which currently is not a creditable mitigation activity under the NFIP.

Equity in Action will also make it easier for agents to communicate flood risk to insureds and how premiums reflect risk. For example, currently, when insureds ask what their flood risk is and the premium associated with it, agents can point to the flood insurance rate map and explain that they are in a high-

Continued from page 20

risk flood zone. But under Equity in Action, agents will be able to explain that rates are based on the distance to a water source, first-floor elevation, past losses and other logical parameters.

Educating stakeholders becomes easier since there will no longer be complicated grandfathering scenarios, elevation certificate explanations or convoluted mitigation solutions. Stakeholders such as real estate professionals will also be able to clearly understand the flood risk and cost of insurance on a particular home. This also applies to community officials who help their constituents understand the impact of flood risk and its effect on the cost of building in the floodplain.

As Equity in Action is implemented, the future of

flood risk communication will continue to be perfected and will evolve.

Agents will also be able to use the NFIP's new quoting system to make the quoting process easier. For example, the new rating system will now be able to generate a quote without the help of an elevation certificate, an option some private flood insurers currently offer in their rating systems.

Overall, what FEMA will accomplish in the transformation is making the NFIP part of a rapidly evolving and competitive flood insurance environment where insureds ask to see a quote from multiple carriers, one of them being the NFIP.

The NFIP is also changing how premium reductions are calculated for home elevation. Right now, the maximum premium credit for a home elevation occurs when the lowest floor for rating is at 4 feet above the base flood elevation. This inevitably limits what an insured considers for a home elevation in order to achieve a costbenefit to their premium. But with Equity in Action, the higher you go, the less the premium will be.

Because no zone or base flood elevation is used for rating purposes, mitigation credits are applied everywhere, in and out of the high-risk flood zone.

Continued on page 22

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RISKRATING2.0

Continued from page 21

These changes will not only make it easier to communicate how to mitigate to reduce insurance costs, but it will enhance the flood resilience of our flood-prone communities.

When insureds ask questions regarding the cost-benefit of mitigation projects, agents can give them more mitigation options and simpler solutions. When insureds ask if it matters where the house is in order to receive those credits, agents can communicate that easily by responding, "Anywhere."

These changes also benefit our communities. As the financial benefit of mitigation grows, so will the elevation and mitigation of buildings. There will now be an incentive to elevate beyond today's minimum standards since new NFIP rates will consider higher building elevations and more mitigation options.

These changes to NFIP rating methodology will inevitably impact the entire flood insurance industry. Once Equity in Action takes effect, private flood insurers may find expanded or changed opportunities to sell policies that will close the insurance gap.

While private flood companies do not regulate the floodplain like the NFIP does, they can benefit from enhanced building mitigation. As more structures and mechanical equipment are elevated, private flood insurance companies may consider those buildings as less risky to insure. Essentially, the mitigation elements of Equity in Action will have a trickle-down effect that benefits other stakeholders—and it's why FEMA is branding Risk Rating 2.0 as Equity in Action.

Legislative Answers

In April, the U.S. House Financial Services Committee shared a draft NFIP reauthorization bill. The bill, among other elements, proposes lowering the annual increase cap on NFIP premiums to 9%. This was a clear reaction by







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RISKRATING2.0

Continued from page 22

Congress to Equity in Action. In FEMA's information about Equity in Action, they note that policy premiums will increase up to the maximum statutory cap. That cap is currently set at 18%.

While Congress has added language to resolve standing concerns with Equity in Action, problems for which legislative fixes have been proposed in the past are in some ways solved under the transformation. For example, past legislative proposals asked FEMA to consider replacement cost when determining rates. That will be a part of rating considerations. Equity in Action will address long-standing programmatic issues that Congress may no longer need to address in forthcoming flood reform.

However, there are still quite a few legislative issues and priorities to tackle. Draft legislation released in April attempts to address an NFIP

affordability program, forgiveness of NFIP debt, allowing insureds to leave the NFIP and retain continuous coverage grandfathering, among others.

As FEMA continues to rebrand Risk Rating 2.0 as Equity in Action, it's easy to see how flood insurance premiums through the NFIP will be more equitable. Equally important to understand is that the change that FEMA is planning will impact far more stakeholders than just those who interact with NFIP insurance.

From floodplain managers to real estate professionals, the future of Equity in Action modernizes the NFIP in a way that has not been seen in the 53-year history of the program. Whether stakeholders involved appreciate the changes or not, Risk Rating 2.0 will change the landscape of insuring against and communicating flood risk.



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RISK RATING 2.0: EQUITY IN ACTION

FEMA is updating the National Flood Insurance Program's (NFIP) risk rating methodology through the implementation of a new pricing methodology called Risk Rating 2.0. The methodology leverages industry best practices and cutting-edge technology to enable FEMA to deliver rates that are actuarily sound, equitable, easier to understand and better reflect a property's flood risk.

FEMA is conscious of the far-reaching economic impacts COVID-19 has had on the nation and existing policyholders and is taking a phased approach to rolling out the new rates.

Beginning Aug. 1, current National Flood Insurance Program policyholders can contact their insurance company or insurance agent to learn more about what Risk Rating 2.0-Equity in Action means to them.

PHASE I

New policies beginning Oct. 1, 2021, will be subject to the new rating methodology. Also beginning Oct. 1, existing policyholders eligible for renewal will be able to take advantage of immediate decreases in their premiums.

PHASE II

All remaining policies renewing on or after April 1, 2022, will be subject to the new rating methodology.

FEMA continues to engage with Congress, its industry partners and state, local, tribal and territorial agencies to ensure clear understanding of these changes.

Why FEMA is Undertaking Risk Rating 2.0

FEMA is committed to building a culture of preparedness across the nation. Purchasing flood insurance is the first line of defense against flood damage and a step toward a quicker recovery following a flood. Since the 1970s, rates have been predominantly based on relatively static measurements, emphasizing a property's elevation within a zone on a Flood Insurance Rate Map (FIRM).

This approach does not incorporate as many flooding variables as Risk Rating 2.0. Risk Rating 2.0 is not just a minor improvement,







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but a transformational leap forward. Risk Rating 2.0 enables FEMA to set rates that are fairer and ensures rate increases and decreases are both equitable.

FEMA is building on years of investment in flood hazard information by incorporating private sector data sets, catastrophe models and evolving actuarial science.

With Risk Rating 2.0, FEMA now has the capability and tools to address rating disparities by incorporating more flood risk variables. These include flood frequency, multiple flood types—river overflow, storm surge, coastal erosion and heavy rainfall—and

Continued from page 25

distance to a water source along with property characteristics such as elevation and the cost to rebuild.

Currently, policyholders with lower-valued homes are paying more than their share of the risk while policyholders with higher-valued homes are paying less than their share of the risk. Because Risk Rating 2.0 considers rebuilding costs, FEMA can equitably distribute premiums across all policyholders based on home value and a property's unique flood risk.

What's Not Changing Under Risk Rating 2.0

We are upholding statutory requirements by:

Limiting Annual Premium Increases

Existing statutory limits on rate increases require that most rates not increase more than 18% per year.

Using Flood Insurance Rate Maps (FIRMs) for Mandatory Purchase and Floodplain Management

FEMA's flood map data informs the catastrophe models used in the development of rates under Risk Rating 2.0. That is why critical flood mapping data is



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necessary and essential for communities. It informs floodplain management building requirements and the mandatory purchase requirement.

Maintaining Features

We are maintaining features to simplify the transition to Risk Rating 2.0 by offering premium discounts to eligible policyholders. This means:

 FEMA will continue to offer premium discounts for pre-FIRM subsidized and newly mapped properties.

Continued from page 26

- Policyholders will still be able to transfer their discount to a new owner by assigning their flood insurance policy when their property changes ownership.
- And, discounts to policyholders in communities who participate in the Community Rating System will continue. Communities will continue to earn National Flood Insurance Program rate discounts of 5% - 45% based on the Community Rating System classification. However, since Risk Rating 2.0 does not use flood zones to

determine flood risk, the discount will be uniformly applied to all policies throughout the participating community, regardless of whether the structure is inside or outside of the Special Flood Hazard Area.



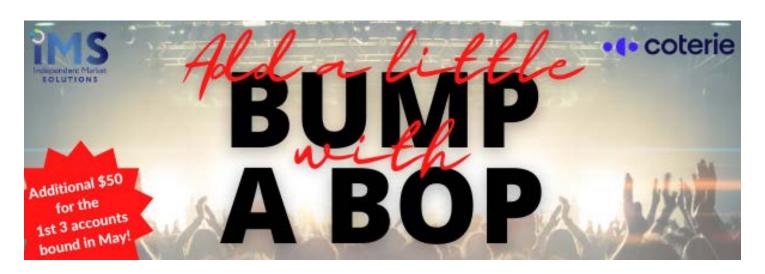
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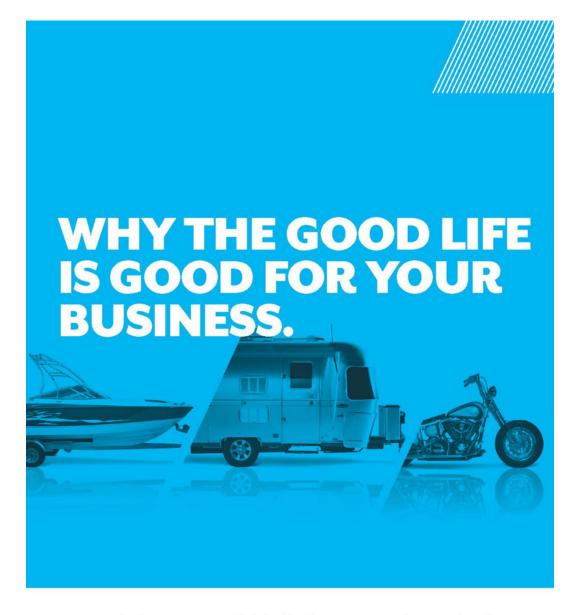
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RISK RATING 2.0: FEMA RELEASES NEW TIMELINE AND DATA ON NFIP RATE CHANGES

By Wyatt Stewart, Big I Assistant VP of Government Affairs

FEMA made an official announcement on Risk Rating 2.0 via bulletin w-21003. This memorandum provides notification of Risk Rating 2.0 program changes to the National Flood Insurance Program (NFIP) effective on Oct. 1, 2021, the overall timeline for implementation of Risk Rating 2.0, and FEMA's expectations of NFIP insurers.

The specific timeline for Risk Rating 2.0 can be seen here:

- April-September 2021: FEMA collaborates with and continues to periodically share draft guidance documents with NFIP insurers regarding Risk Rating 2.0 program changes.
- Aug. 1, 2021: NFIP insurers may begin quoting for policies with effective dates on or after Oct. 1, 2021.
- Sept. 1, 2021: FEMA releases final guidance documents for NFIP insurers detailing upcoming Risk Rating 2.0 program changes.
- Oct. 1, 2021: All new business policies effective on or after this date must be issued under Risk Rating 2.0. Existing policies renewing with effective dates between Oct. 1, 2021 and March 31, 2022 can renew under the legacy rating plan or renew their policy under Risk Rating 2.0.

 April 1, 2022: All existing policies with renewal dates on or after April 1, 2022 will be renewed under Risk Rating 2.0.

FEMA also released statespecific fact sheets that provide an overview of what Risk Rating 2.0 will mean for the NFIP rates within a state.

Among other things, the fact sheets break down what percentage of NFIP policies will see an immediate decrease in price, a \$0-\$120 increase in price per year, \$120-\$240 increase in price per year and a more than \$240 price per year increase.

FEMA recently posted updated county/parish and zip-code level data on the monthly premium impact of the updated rating system. You can access this data here:

https://www.fema.gov/flood-insurance/work-with-nfip/risk-rating/profiles. The breakdown provides the number of policyholders in each parish/zip code who will see rate decreases vs. rate increases.

In the state-by-state documents, FEMA also notes that "under the current methodology, all NFIP policyholders have been subject to premium increases every year. Risk Rating 2.0, from a premium increase perspective, does not

deviate significantly from the current methodology except annual increases will eventually stop under Risk Rating 2.0 once the full-risk rate is realized. Premium increases will also be subject to the 18% per year cap set by Congress for most policies."

Some lawmakers who represent coastal states, including most notably U.S. Senate Majority Leader Chuck Schumer (D-New York), have raised concerns with Risk Rating 2.0 over the last year. Many of those concerns were focused on potential rate increases and the lack of available data and have been amplified with public statements and letters to FEMA in recent days.

The Big "I" believes that Risk Rating 2.0, if properly implemented, has the potential to improve the NFIP experience for agents and consumers, but the rollout of the program will be critical in determining the success of the effort. As FEMA continues to provide more information regarding Risk Rating 2.0, we will continue to provide members with updates in the weekly News & Views enewsletter.

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WHAT TO KNOW ABOUT AGENCY E&O

Insurance Journal - Panel Discussion Summary November 10, 2020

Webinar Summary featuring Andrea Wells, Editor-in-Chief, Insurance Journal (Host); Chris Burand, President and Owner, Burand & Associates LLC; Elizabeth Whitney, Head of US Agents Team, Swiss Re Corporate Solutions; Brent Winans, Vice President, Clear Advantage Risk Management

OVERVIEW

In today's challenging business environment, agencies' E&O risks are heightened. As clients seek to save money by cutting back on insurance or switching carriers, to avoid E&O claims, agents must ensure that clients fully understand their choices and all client decisions are documented. Agents can also minimize E&O claims by being prudent in the promises they make on their website and elsewhere.

If agents experience an E&O claim, it is important to contact and involve their carrier, which has expertise in handling E&O claims, and to prepare thoroughly for any meetings or depositions.

By understanding why E&O claims arise, what the most significant E&O risks are, and taking actions to mitigate these risks, it is possible for agents to minimize their E&O exposure.

CONTEXT

Andrea Wells led a discussion among a panel of E&O experts. Panelists shared their perspectives on the agency E&O insurance market, E&O risks for independent agencies, trends, and steps agents can take to lower their risks.

KEY TAKEAWAYS

The context for independent agencies is extremely challenging.

The COVID-19 pandemic and current economic conditions make this a difficult insurance market for independent agents. The pandemic resulted in an economic shutdown, closing businesses for months and decreasing commercial activity.

At the same time, pricing for some lines of insurance has increased, some carriers are taking new business moratoriums, and carriers have invoked some exclusions. For some clients this means that after being shut down and experiencing difficult times, they may now be forced to pay more for their insurance, leading to "unhappy insureds."

In such market cycles, some clients will try to avoid buying

certain coverages to save money or may purchase lower limits to decrease their costs. Elizabeth Whitney commented that during difficult market cycles there is typically a rise in E&O allegations against agencies. However, due to the decreased commercial activity related to COVID, E&O claims are currently down 10%-15% at Swiss Re. Some of this decrease may be because courts were shut down or due to delays in filings; if the slowdown is because of delayed filings, claims will eventually catch up. Also, Chris Burand pointed out that E&O claims against agents sometimes lag several years behind when clients first have a claim denied.

This confluence of factors combines to make it a difficult environment for independent agents and heightens the risks of E&O claims.

Agencies face several important risks related to E&O.

The panelists identified several E&O risks agencies face, which are elevated in the current environment.

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Clients cutting back on

coverages. As some clients cut back on buying certain coverages or purchase lower limits, if is not clearly documented that the coverage change decision was the client's, and if a claim should occur, there could be a potential E&O problem.

An example was shared of an insured that chose to switch from an occurrence to a claims-made policy to save money. When the insured later filed a liability claim, there was nothing in writing showing the agent had explained the difference between the policies.

In a challenging business environment where insureds will be looking to save money, make sure they fully understand the implications of their decisions and document that decisions are the client's choice.

"You'll see people avoid buying certain coverages or purchasing lower limits to save money. If it's not documented showing it's the client's choice and a claim occurs, there's probably going to be a problem." ~Chris Burand

Moving business to another carrier. E&O exposure can occur when an agent moves business to another carrier to

secure lower pricing. Issues arise if the new coverage is not as broad and a claim occurs that would have been covered under the old policy. It is critical for the agency to make sure the new coverage is equivalent to the previous coverage or ensure the insured understands the differences.

"If an agent doesn't either replace the policy with as broad a coverage as was in place before or tell the client the coverage is not as broad, they can end up in an E&O mess if there is a claim that is not covered under the new policy tha would have been covered under the old policy." ~Brent Winans



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Elizabeth Whitney emphasized the need to memorialize in writing that switching to a new carrier is fully understood by the client and the decision has been made by the client. Putting everything in writing avoids he said/she said conflicts. Memorialization can be an email summarizing the differences in the policies and confirming the client understands the differences. Brent Winans said, "If you don't write it down... you're really exposing yourself to an E&O claim."

Chris Burand noted that many agency procedure manuals fail to address this point, and many CSRs and account managers are unaware of the need to get clients to confirm in writing their understanding of the differences in policies.

Disrupting agency operations.

With people working remotely, there is increased risk that essential operational tasks can fall through the cracks. This can include failing to meet various licensing, legal, or CE requirements, all of which can open up an agency to E&O exposure.

Not reading and understanding the policies sold. Too often agents are focused on selling insurance instead of understanding the needs of each client and providing insurance that meets a client's needs. This

can result in selling the wrong policy for a client and not taking the time to read and understand the policy. if the client ultimately has a claim and concludes their agent sold them the wrong policy, it could produce and E&O claim. The right approach, even though more time consuming, is understanding each client's needs, providing the right policies, and reading these policies. The result will be happier clients and avoidance of E&O claims.

Making bold website claims.

As part of their sales and marketing activities, agents often create websites that talk about their capabilities and expertise in broad, glowing terms. However, the precise language that is used will be scrutinized looking for any words that can be viewed as a false claim. Agents need to choose their language carefully to build credibility while avoidng E&O exposure.

These risks all exist within the context of an aggressive well-organized plaintiff's bar. Even the slightest slip up will been seen by the plaintiffs' bar as an opportunity to bring a suit.

If agencies experience an E&O claim, there are important best practices to follow.

Even the best agencies can make mistakes, which is the

reason for having errors and omissions insurance. However, there are times and E&O claim arises where an agent tries to handle the situation themselves. The panelists agreed this is not a good idea. They recommend:

Contact and involve your E&O carrier. E&O carriers have expertise in handling these claims, can involve senior counsel as necessary, and can help mitigate the claim while preserving the agent's relationship with the carrier.

"A lot of times our claims department can help mitigate the claim, can make it go away... that's what we're there for. That's what you've paid for. Our claims department is there to help you, so it's silly not to take advantage of that." ~Elizabeth Whitney

Prepare for meetings, negotiations, depositions. The plaintiffs will come to the table incredibly well prepared, with a clean story. Unfortunately, agents - who often haven't been involved in an E&O suit - may not be adequately prepared. Prior to meeting or deposition it is important to review the file, know all dates and key facts, and work closely with defense counsel to craft a sound story. Elizabeth Whitney termed it "being more strategic."

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AGENCYE&O

Several trends are impacting agency E&O.

Three trends among independent agencies with E&O implications are discussed below.

Use of networks and aggregators. Over the last several years more agencies are using networks and aggregators. The panelists stressed that what matters most is to read and understand the contracts.

Influx of former captive agents. A trend is that former captive agents, such as former Nationwide agents, are moving the independent model. When they were captive agents, they received back-office support &

E&O coverage. Now that they are independent they require a

Continued from page 32

bit more education and handholding.

Aging workforce. As the workforce within independent agencies ages and retires, older executives are being replaced by younger people, which erodes an agency's institutional memory. The younger people may not fully understand the risks that can lead to E&O claims and the steps the agency needs to take to minimize these risks. Also, it seems that younger people are averse to taking the time to actually read the policies.

The panelists have simple, clear advice to minimize E&O risks.

In concluding the webinar, the panelists offered the following advice to agents to avoid E&O

risks:

- Actually read and understand all client policies.
- Document, document, document.
- Make sure your agency operations remain tight and nothing is falling through the cracks.
- Review the language on your website and in all marketing communication to avoid overstating your expertise.

By following this simple advice agencies can go a long way toward mitigating their E&O claims.

Click What to Know About Agency E&O to watch the full webinar.



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TAX INCREASES ARE COMING THE ONLY QUESTION IS HOW MUCH AND WHEN

To our friends and clients,

Over the past few days, the Biden administration has signaled an aggressive position of making tax increases retroactive to April 2021. This is alarming for those hoping to close transactions in 2021, since Biden has proposed raising capital gains rates from 23.8% to 43.4%. In addition, the proposed tax plan raises corporate rates from 21% to 28% and the top ordinary income tax rates from 37.0% to 39.6%.

As we have talked to political operatives and those closely monitoring the political process, though, there appears to be serious doubt over the President's ability to get these tax increases through Congress. The slim Democratic majority in the House and the split in the Senate won't necessarily provide Biden enough voting strength to get some of the more drastic measures - like a retroactive tax increase through. Below are a few statements from political commentators on the upcoming tax increase legislation:

- "The retroactive tax increase on capital gains will be difficult to get through Congress in its current form given Democrats' thin majorities and lawmakers' rare history for raising taxes without giving people a fair warning." - John Gimigliano, leads federal tax legislative services at KPMG LLP
- "But the broad outlines of Biden's proposed tax hikes are mostly going nowhere. What's happening now is a kabuki dance - an event almost designed to create the appearance of an uncertain outcome, when in fact (most of) the participants are in on the joke. The votes simply are not there." - Joel Wood, Senior Vice President, Government Affairs, CIAB

Keeping these realities in perspective, we should also acknowledge that tax increases are coming. While they might not be retroactive, and they won't likely end up as high as the rates Biden has proposed, there will most certainly be tax increases for ordinary income (at the top tax bracket), capital gains (for households with income over \$1 million), and corporate

income. What impact will these tax hikes have on agents and brokers in our industry? Several results are likely:

1) Agency/Brokerage valuations may decline:

Corporate tax increases will reduce after-tax cash flow for C-corporations - which includes the public brokers. Individual tax increases will reduce after-tax cash flow for owners of pass-through entities (S-corporations and LLCs). When shareholders get to keep less of the profit, valuations decline. We saw valuations increase when corporate and individual taxes were reduced under Trump and we should be prepared to see it go the other way now.

2) The record-high levels of acquisition activity will moderate:

We only have to look back to 2013 to see the drop in activity after a moderate capital gains rate increase from 2012. Deal activity declined by 36% in 2013 from 2012. The drop could even be more significant in 2022 if capital gains increases are paired with valuation declines from income tax hikes.

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3) Brokers will get back to focusing on growing their business:

With sales of their firms being less appealing, privately held agents and brokers will become more focused on investing in and growing their businesses (and keeping them private long term or looking to sell their firms down the road in a more opportune tax environment).

4) Tax-free mergers will become more attractive:

Tax-free mergers will be more appealing as a means to combine with another firm while avoiding the current capital gains hit. This structure will allow firms to continue to

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pursue scale, a trend we've seen across the industry in recent years.

5) ESOPs will get renewed attention:

ESOPs benefit from a tax provision (1042) that allows a seller of stock to an ESOP to roll the proceeds into certain qualifying replacement securities and defer capital gains taxes until those securities are later sold. This will appeal to some looking to sell but who want to wait until we have better tax rates under a future administration.

6) Alternative transaction structures:

With ordinary income rates

only going up slightly, it is possible that more transactions will be structured with sellers getting ordinary income tax treatment and buyers getting full deductibility of the purchase consideration. In addition, buyers that can offer a tax-free rollover on equity consideration will have an advantage in the marketplace.

7) Synthetic equity (e.g. stock appreciation rights, phantom stock, etc.) will become more common as a perpetuation tool:

Agency equity has typically been the preferred perpetuation tool among key employees because long-term



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appreciation in their equity is taxed when they sell it as a capital gain. If capital gains rates are increased to match or even exceed ordinary income rates, we may see synthetic equity more widely adopted as a perpetuation tool. Synthetic equity's natural advantages – it is tax-free to the recipient when issued, can be structured to vest upon the achievement of performance metrics, and synthetic equity payouts are deductible to the issuer – are all reasons why synthetic equity might enjoy a renaissance in our industry.

The extent to which the above will occur will be in direct proportion to the severity of the tax increases and how the tax laws are written. Stay aware of what is happening as this unfolds and position yourself and your firm to respond accordingly. We have survived tax increases in the past and we can do so in the future.

Bobby Reagan CEO and Partner, Reagan Consulting Email Bobby directly >>>

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THE VALUE ADD

By Heath Shearon June 3, 2021 | Agency Nation

My favorite author right now and podcast host to listen to is John C. Maxwell. The last several months I have consistently listened to his podcast and added his books to my library. I love this quote captured below...

"Most people don't lead their life, they accept their life. People who lead their life intentionally add value to others." ~John C. Maxwell

This is something I have since taken and tried to apply to my everyday life. However, for the purposes of this article we will lean more toward this as a business principle. The first question you may be asking yourself is, "What do you mean should always be engaged, by "value add?" In its simplest form, the value add is the ability to see your business through the eyes of your customer. This is something that for some may sound incredibly underwhelming and others hear this and are immediately overwhelmed. The encounters with each fact of the matter is that this buzz word is one that is not going away anytime soon. Your anniversaries, family customers are demanding more and more, and let's face it, no matter what industry you are in, there is always someone these many conversations. If else offering the same product

or service that you are, and they claim to do it better than you or cheaper than you.

The first takeaway that I would give you on the art of the value add is straightforward-have a conversation with your clients. customer, you need to record Each time you have an encounter with your customer you should be asking questions. Get your clients talking more and you talking less. Sit back and listen, take notes, ask follow-up questions, and less about the price. The Find out what is important to them, find out what makes them tick. Be very conscientious of your body language and tone of voice. While they are talking, you lean forward in your chair a little bit, take some notes, ask pertinent follow-up questions, when opportunity presents itself.

I would also encourage keeping record of all customer, jotting down important conversations, information, anything you can write down to jog your memory and keep up with you are not keeping track of

your encounters with a customer, you are likely missing additional opportunities to show them value. Whether the customer is occasionally asking for tips or information, or if you are actively contacting the each of these encounters.

Convenience is critical for your customer. So much of the customer experience is more about the experience and less convenience factor is very transparent in most casesincrease the speed you by which deliver the kind of value people are willing to pay for. Successful people know everybody is impatient. A person who didn't realize that they wanted your product or service until today now wants it yesterday.

People perceive a direct correlation between speed and the value of your offering. A person who can do it for you fast is considered to be a better, more competent person, offering a higher level of quality than a person who does it slowly, whenever they get around to it. Customers love convenience. Studies have shown that if they can get a Continued on page 38 PAGE 38 LOUISIANA AGENT

VALUEADD

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product or service without much effort, they are likely to pay more for that product or service.

The value add can be something as simple as creating a pleasant customer atmosphere. The smells in the lobby, the music playing when you walk in, the greeting you receive, the comfort level of the chairs, you get my point. The atmosphere and customer experience alone can be a huge value add. Let's think about a couple of great examples here.

Have you ever been to Chick Fil A? You already have warm thoughts and a smile on your face right now just thinking about Chick Fil A, don't you? The joyful greeting you received when you entered the restaurant,

the polite conversation and mannerisms of the cashier, the music playing in the background, and we haven't even purchased a product yet. The customer experience you receive at Chick Fil A is often second to none. The other example I give is Starbucks. You feel hip and cool from the moment you walk into a Starbucks. From the menu jargon you use to order your drink tailored specifically to you to the vibe in each coffee shop to the incredibly cool barista that took your order. The entire customer experience at Starbucks keeps people coming back again and again.

I would also say that a huge way to add value to your customers is to consistently educate them.

Look for ways to meet your customers where they are. The opportunities are always there to teach them. Educating customers is something businesses can benefit from, but most shy away from it due to false assumptions. The age-old belief that a more educated customer will be less loval or "know too much" is tired and played out. It's time to let go of these assumptions and truly empower your customers with knowledge and insights that help them understand your product and how it can be valuable to them. Research has shown that educating customers strengthens their trust in a business, and it can act as an important service differentiator for brands.



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VALUEADD

The smart consumer will opt to buy from the company that's educated him on the issue and presented him with multiple solutions. That company's selflessness has built trust — and its ability to teach him has bought his loyalty in the future. – Mark Quinn

Educating your customers helps them understand your products better and builds trust with your brand. Without this trust, loyalty is less likely. But, I am also a firm believer in educating yourself in the needs of your customer. Keep up with the latest trends, stay tuned to what your competition is doing, and look to improve your product accordingly. If you are not working daily on your own

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personal growth, dedicated to growing in your knowledge of the industry you work in, then you are not only doing yourself a disservice but also your customers. Today's customer base expects you to be the expert on the cutting edge of your industry. Take time on a regular basis to keep up with emerging topics in your field, whether it is reading books and articles, listening to podcasts, watching YouTube videos, getting involved in social platforms, etc.

The value add is, indeed, a buzz word right now, but it is so simple to take it from just that to a way of life in your business. Good luck out there!

Heath Shearon is a second generation insurance agent with 20 years experience on both company agency and association side of the house. He is very passionate about this insurance industry and will do anything he can to serve others and to leave this industry better than he found it.

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5 STEPS TO CREATE A SUCCESSFUL INTERNSHIP PROGRAM

By Marco Albergo, Communications Coordinator, Invest June 9, 2021

A quality internship program will enable you to attract bright and ambitious young people and identify those you want to keep for the long term without making a large investment.

Agencies of all sizes struggle to find and screen job candidates with strong potential, according to the 2020 Agency Universe Study. Independent agencies can break this disappointing cycle through the strategic use of interns—and as schools and colleges break up for the summer, it is the perfect time to hire one.

A quality internship program will enable you to attract bright and ambitious young people and identify those you want to keep for the long term without making a large investment. If you don't already have one in place, here are five steps to creating your agency's internship program:

1) DETERMINE YOUR NEEDS

The first step in considering an internship is to identify the needs of the agency. What the agency wants to gain from such a resource will largely dictate what type of program

is most suitable. For instance, if the primary goal is to secure a steady flow of potential permanent candidates, and the agency has the management time to provide adequate mentoring, an internship that is fully developed and structured at a college or university might be appropriate to fully leverage the relationship between the agency and the institution.

On the other hand, if the agency is simply in need of temporary help for project-oriented tasks or lacks sufficient management time to administer a formal program, a college placement service or informal relationship with an academic department might be enough.

2) DECIDE IF YOU WILL PAY YOUR INTERN

Internships come in many forms. They can be part of the academic institution's curriculum, an individual student's learning plan or simply an individual's desire to explore career opportunities and earn some money while in school.

They may or may not carry academic credit. Internships

for credit can be expected to come with a greater degree of structure and accountability on the part of the student, institution and employer. While internships can be paid or unpaid, in most cases students do expect to get paid as part of the program, especially if it is not for credit. This will likely attract a better-quality candidate pool and enhance dedication to the internship experience.

3) CONSIDER LEGAL IMPLICATIONS

Major areas of concern for employers are compensation laws, workers compensation, unemployment insurance, and employment practice laws and liability. Whether paid or unpaid, the intern should be covered by workers comp. Many institutions will require proof of coverage. For unpaid interns, it would be advisable to add a voluntary workers compensation endorsement. Interns are not eligible for unemployment benefits after the internship is over.

In most cases, the institution will require the employer to assume liability for interns. The student may also be accorded additional Continued on page 41

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institutional protections and processes, especially for issues of liability, confidentiality and harassment. Generally, the same U.S. Equal Employment Opportunity Commission standards that apply to full-time employees will apply to interns.

4) GET THE WORD OUT

Draft a job description that includes job duties, as well as qualifications desired, such as a specific major, computer skills or class level. The job description should also include a description of the application procedure, the pay if applicable, duration of the internship and citizenship requirements.

Some colleges have insurance departments or business schools. At others, agencies will have to tap into other academic disciplines to find qualified candidates. A listing of Invest™ high school teacher contacts is available from Invest's national staff.

Some fields of study with relevance to agency operations include general business, management, marketing, accounting, finance, public relations, computer science and communications. Students from these disciplines often have not decided on a professional career and, after some exposure, may find the

insurance industry attractive. The availability of these non-insurance disciplines makes an added case for using interns for project-oriented tasks such as marketing initiatives or technology tasks.

The next step is to contact institutions in the area about the availability of internship programs. Institutional offerings run the gamut from simple placement services to highly structured, formal programs.

5) CREATE A STRUCTURE FOR YOUR INTERN

To maximize the mutual benefit of the work experience, assign a mentor to



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INTERNSHIPPROGRAM

the intern, preferably a management-level person who is willing to commit the necessary amount of time. This should be someone who likes to teach and is familiar with all aspects of agency operations. A proper orientation should be conducted at the outset and followed up with periodic evaluations, both of the intern and by the intern, for continuous improvement.

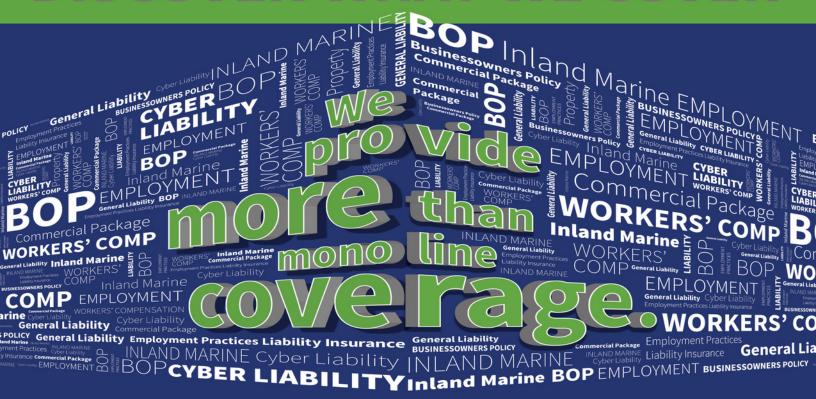
For more information on building a program, Invest has a wealth of free resources that will walk you through the important elements of internships, including issues of compensation, credit, and

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legal implications and can provide you with a framework for developing your own intern program.

Marco Albergo is Invest communications coordinator.

DISCOVER WHAT WE COVER



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HOW AGENTS CAN HELP CLIENTS MITIGATE HURRICANE RISK

By: Saumi Shokraee, CoreLogic Professional Research & Content Strategy
June 9. 2021

Natural catastrophe events are becoming more frequent and severe. Here's what agents should take into account to help homeowners.

As climate change continues to increase the severity and frequency of hurricane events, it is more important than ever for communities to be prepared for when disaster strikes. The U.S. 2020 Atlantic hurricane season created a record high of 30 named storms, battering the Gulf and Atlantic Coasts. Three of these storms hit the Louisiana coast back to back, making landfall just 15 miles apart in less than six weeks.

The southwest Louisiana community was devastated. Homes were reduced to slabs. Roofs were missing. And in the heat that set in shortly after the storm dissipated, many homes, rife with water damage, grew mold.

This crisis highlighted an important distinction: While hurricanes are devastating for any community, the effects of disasters can be exponentially worse for lower-income areas.

This year's annual CoreLogic Hurricane Report provides insight into what to anticipate this hurricane season and how hurricane risk is changing. For independent agents, understanding the risks at a granular level is paramount to adequately protecting homeowners and supporting them at the first notice of loss. That means being a conduit between homeowners and insurers to understand the financial implications of a given degree of risk and exposure. Homes, businesses and families can be kept safe when communities and insurers work together to take steps toward mitigating risk.

Independent agents should

take into account some of the following factors to help their clients navigate hurricane risk mitigation in a time when natural catastrophe events are becoming more frequent and severe.

HURRICANE MITIGATION

Hurricane mitigation focuses on tying down and protecting the home from strong winds and flying objects. To hold a house down, agents should advise their clients to use hurricane ties to stop strong winds from blowing their roof off and use retrofit kits with horizontal bracing for garages. In some circumstances, homeowners tie down their boats as well.



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HURRICANERISK

To lower the risk of damage from flying objects, homeowners should board their windows with sheets of plywood while also removing any items in their yards that could become a projectile.

Anyone who lives in or is planning to move to an area where hurricane risk is elevated should have some of these mitigation materials ready for when disaster strikes. For a more comprehensive view of mitigation and hurricane risk, the Insurance Institute for **Business and Home Safety** provides resources that explain It is recommended to regularly in Lake Charles, a city in various mitigation steps.

Continued from page 43

By incorporating multiple mitigation methods, a structure can become less susceptible to hurricane damage and destruction.

LOOK OUT FOR UNDERINSURANCE

In the aftermath of hurricanes. many residents discover their homes are underinsured by hundreds of thousands of dollars, leaving them without enough coverage to rebuild. base their coverage on replacement cost rather than reconstruction cost.

reevaluate the reconstruction

cost value of a home to prevent underinsurance, as material and labor costs for reconstruction are always changing.

Without enough coverage, homeowners often walk away from their mortgages, creating spikes in delinquency. After the 2020 hurricane season. there were spikes in mortgage delinquency rates as homeowners crippled by This can happen when insurers expenses were unable to make their monthly mortgage payments. After Hurricane Laura made landfall, the already-high delinquency rate southwest Louisiana, shot up

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from 9.8% in August 2020 to 16.1% in September 2020, an increase of 6.3 percentage points.

To learn more about the human impact of hurricanes and the coming 2021 hurricane season, check out the CoreLogic 2021 Hurricane Report.

Saumi Shokraee holds the position of professional, research and content strategy at CoreLogic. He is primarily focused on working with subject matter experts to research, analyze, and communicate trends related to natural catastrophes and construction.



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ACT SECURITY ALERT: PROTECT AGAINST HACKING

The Big "I" Agents Council for Technology (ACT) has a security alert for all independent insurance agencies: Hackers are focused on targeting industry systems to access valuable data.

Over 12% of all breaches are now within the financial sector, and this focus is only growing. In 2020, over 37 million records were exposed.

And now, these bad actors are trying to get your agency credentials to access quoting systems to obtain data. Unfortunately, we've seen major carrier data breaches where agency credentials have been used to access online quoting

and rating systems.

There is no time to waste. Take the following precautions:

- Safeguard your login and password combinations by developing a protection process.
- Do not share passwords among staff.
- Change passwords frequently—and immediately after staff turnover.
- Don't fall for social engineering, where an external source can pose as a trusted entity to gain access.
- And of course, never post log in or password information on sticky notes, spreadsheets or anything that can be seen.

Also take action by:

- Investing in a solid agency security process for passwords and information.
 Use industry resources to ensure cyber preparedness, like ACT's free Agency Cyber Guide 3.0.
- Investigating the use of a password manager.
- Supporting industry password initiatives, such as ID Federation's SignOn Once.

ACT and the Big "I" have many free agency resources for independent agents.





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Share (& Why That's Bad)

7/8 Agents E&O: Documentation, 8-11 am Social Media, Cyber & More

7/8 Is This Stuff For Real? 12-3 pm **Understanding & Insuring Emerging Risks**

7/15 **Ethics: Essentials for the Insurance** 8-11 am Provider

7/20 Commercial Property - Direct vs. 8-11 am

Indirect Damage



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Save the Date!

- **IIABR Summer Celebration** August 12, 2021 Country Club of Louisiana
- Louisiana & Mississippi Young Agents **Conference** August 20-22, 2021 Biloxi, MS
- IIABR September Luncheon September 9, 2021 Drusilla Seafood
- IIABR Fall Social October 7, 2021 Drusilla Seafood
- IIABL Fall Conference (Coming Soon!) October 13, 2021 Baton Rouge, LA
- IIABL Fall Conference (Coming Soon!) October 28, 2021 Shreveport, LA
- **IIABL Fall Conference (Coming Soon!)** November 9, 2021 New Orleans, LA
- IIABR November Luncheon November 11, 2021 Drusilla Seafood



NEW PROGRAMS

Cyber Gaps, UASs and TNCs

This course discusses three emerging topics: cyber exposure and other data breach, airborne drone exposures with current coverages and exclusions, and ride-sharing exposures and related insurance issues. Presenter: E. Steward Powell, Jr., MA, CPCU, CIC, CLU, ChFC, ARM, AMIM, AAI, ARe, CRIS

NFIP & Private Flood Update 2021

CPCU, AAI, API, CRIS: Pete Travis

David has assembled a panel of industry experts to provide the latest information on NFIP vs. private flood. The discussion will provide answers to the questions FAIA receives on these two topics. Panelists: Ben Andrews, Esq.; Chris Heidrick; Robert Norberg, AAI, ACSR; David A. Thompson, PAGE 48 LOUISIANAAGENT

EDUCATIONCALENDAR

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