LOUISIANA AGENT

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In this issue:

IMPORTANT Regulatory Issue for Insurance Agents

On October 31, the Louisiana Department of Insurance (LDI) issued Advisory Letter 2019-05 – Producer Agency Registration of Affiliated Individuals.

All insurance agents should read LDI Advisory Letter 2019-05 and verify that they are in compliance.

To view LDI Advisory Letter 2019-05 please click **HERE**.

For many years, Louisiana law has required insurance agencies to register all licensed personnel "affiliated" with the agency on the LDI agency license. When new licensed personnel are hired by an agency they must be listed as affiliated with the agency within 30 days. When a licensed person affiliated with the agency leaves the agency, they must be made "inactive" under the LDI agency license affiliations within 30 days. All licensed personnel must be accurately reflected under the LDI agency license affiliations at all times within 30 days of any changes.

LDI recently reviewed a number of agencies for compliance with LDI Advisory Letter 2019-05. Many agencies were NOT in compliance.

The law requires a mandatory $100 per violation fine for noncompliance.

All insurance agents should read LDI Advisory Letter 2019-05 and verify that they are in compliance.

To search for your agency license on the LDI website click **HERE**.

Once you have found your agency license information on the LDI website, click on the "Affiliations" tab toward the bottom of your license information.

Review the personnel listed as affiliated with your agency.

If you need to add or delete personnel from your agency "Affiliations" you will need to click on "Industry Access" button in the upper right-hand corner of the LDI website page to gain access to the LDI Insurance Industry Access Portal. If you have never accessed the Industry Portal you will need to set up your account. If you already have an account, you will need to log in.

Once you have logged into the Industry Portal, you will have to Request Module Access or access your Modules to gain access to the "Affiliations" module.

Once you click on the "Affiliations" module you will have access to a list of all the personnel affiliated with your agency. From this list you can click "View" to make changes to current personnel affiliated with your agency, including changing the status from "Active" to "Inactive" to show that they are no longer affiliated with your agency. To add new personnel to your "Affiliations", click the "Add New" button at the bottom of the screen. Agency owners and/or managers who are responsible for the operations of the agency should be designated "Is Responsible Individual."

As a point of clarification, all licensed personnel who are directly affiliated with the agency must be listed under "Affiliations" whether you consider them employees or "1099 independent contractors." However, if your agency occasionally brokers business with another independent third-party agent/agency and share commissions, the independent third-party agent/agency does not need to be listed under agency "Affiliations."

LDI has identified that many insurance agencies are in violation of the law and issued Advisory Letter 2019-05 to make sure that agents are aware of these requirements. LDI has no choice but to enforce the law and apply the $100 per violation fine.

It is incumbent on all insurance agencies to ensure that they are in compliance with LDI Advisory Letter 2019-05.

To view LDI Advisory Letter 2019-05 please click **HERE**.

<u>All insurance agents should read LDI Advisory Letter 2019-05 and verify that they are in compliance.</u>

Flood Insurance: Myths, Misperceptions and Marketing

By: Bruce A. Bender, CFM

When it comes to flood risk and flood insurance, agents hear lot of objections, misperceptions and myths' (aka fake news).

Things like:

- I live outside of a flood zone
- I didn't flood last time, so I won't the next time
- I don't live near water, so I won't flood
- It's not supposed to flood like that for another 100 years
- Flood insurance is too expensive

So, how do agents respond to objections like that?

Recently, the Louisiana Department of Transportation & Development (LA DOTD) - the state coordinator of the National Flood Insurance Program (NFIP) - hosted a webinar which highlighted misperceptions and how agents could best address them.

Three main misperceptions and suggested actions were discussed:

Misperception #1: I am not at risk

Action: Personalize the risk: use visual tools that make flooding relevant to where they live. For example:

- If map changes are occurring, show their property on both the current flood map and the new preliminary flood map using FEMA's Flood Map Changes Viewer. Refer to the easy to follow tutorial on how to use it. If there are no map changes, you can still show the property's flood risk using the FEMA Map Service Center.
- If the property is in a coastal parish, show other flood hazards they may be exposed to such as high tide flooding, tidal surge, and sea level rise using NOAA's Coastal Flood Exposure tool.
- If they don't believe that their parish floods much, pull up the parish on FEMA's data visualization site to show how many floods have occurred, and when, from 1996-2016.

Misperception #2: If I am at some risk, how bad can it be

Action: Educate about the consequences—show the value of flood insurance by showing the true cost of a flood. For example:

- Download FloodSmart's Cost of Flooding tool to help visualize that just a few inches of water can end up costing tens of thousands of dollars in damage. Without flood insurance, those costs come right of the homeowner's pocket.
- Help people realize the government isn't going to bail them out. Remind them that the President must first declare the area a Federal disaster. Even then, assistance is typically in the form of a loan that must be repaid with interest—on top of the homeowner's mortgage. And if a FMA grant becomes available, it will be just enough to gt them back into the home...not to fully repair. Print out the chart from FEMA's data visualization site which show that the average paid NFIP claim in Louisiana was around $70,000 but the average grant was only $10,000 (1996-2016)
- Use testimonials to show that loss is about more than just money. On Agents.FloodSmart.gov, there are videos featuring people who thought they'd never experience a flood—who ended up experiencing a disaster. Research shows that people like to hear from others like themselves.

Misperception #3: Flood insurance is too expensive

Action: Offer cost options

- For people in a moderate-low risk (zone B,C,X), offer the lower-cost Preferred Risk Policy, with premiums starting at less than $250 per year. And remind them that in Louisiana, more than 25% of flood claims come from these areas.
- Offer different rating options: e.g., higher deductible; if applicable, a reduction in cost if they put in flood vents.
- For people being adversely affected by a map change, make sure to quote using the Newly Mapped Procedure or Grandfathering; id the property is pre-FIRM, rate using an Elevation Certificate to see if/when they may benefit by elevating.
- Remind them again about the cost of a flood claim versus a hand-out from the government; refer to the chart mentioned earlier from FEMA's data visualization site.

Have the Flood Talk: for their sake, and yours.

Your clients trust you and your knowledge regarding the risks to their home. That's why it is important to make sure that anyone can experience a flood. Personalize their risk and then educate them about the consequences and how flood waters can significantly hit their wallet or purse– even just a few inches—if they don't have a flood policy. And then be prepared to offer them options, even if the option is a private flood policy rather than the NFIP's.

Have the flood talk now can dispel some common flooding misconceptions and avoid awkward conversations later. It can also help you identify the best coverage for your client, as well as reduce your exposure to E&O. But most important, having the flood talk and ensuring that your clients are covered for flood damage can help them and their community rebuild more quickly when that next flood happens.

If you would like to see a copy fo the presentation which include additional marketing and sales resources available at Agents.FloodSmart.gov, a copy can be downloaded here.

The Implications of Consolidation to the Distribution System

The number of firms that have sold since 1/1/10 (just under 10 years) is truly staggering. SNL reports that there have been 4,453 firms sold. If we conservatively estimate the number of other smaller transactions that were not reported at about 50% of the reported number, we would estimate that at least 6,800 firms have sold in the past 10 years. At this point the demand continues to be strong, coming from an ever-increasing number of buyers. There is no immediate reason to suggest that the rate of consolidation will decline any time soon, although political uncertainty, the "calls on the left" for single payer health insurance and the possibility of some flattening or decline in the economy could have an impact on pricing and the level of deal activity.

Even if the rate of consolidation were to decline, considering the pure number of closed transactions over the past 10 years as a percent of the total distribution system (likely over 20%) and considering the size of many of the firms being acquired and the total premium volumes changing hands, this consolidation is having a material impact on every aspect of the distribution system. Here are some of the most significant impacts on the various players involved:

Carriers

Stable personal relationships between carriers and agency principals are being tested as agents sell and are influenced by their acquirer's relationship (or lack thereof) with the carriers. The relationships are also impacted by the acquirer's frequent efforts to leverage those carriers for higher compensation on the same business already written with the carriers.

Those Carriers who historically focused on the "privately-held, smaller side" of the agency distribution system are having to shift their focus as they get more production from the larger firms doing the acquiring and the larger accounts those acquirers are likely writing. This forces them to change the way they market and service their business.

Wholesalers

Wholesalers tend to be more negatively impacted by their agents selling as the larger acquiring agents and brokers have generally narrowed their use of wholesalers in order to leverage their volumes with their own wholesaler or with the several that they focus their attention on. This has impacted the smaller wholesalers more as they have more consistently been selected against in favor of the larger firms. It is proving to be a motivator for many of the smaller wholesalers to sell to the larger wholesalers that are better positioned to "make the cut".

Producers

The experience of producers working for firms that are acquired is mixed. Some are material owners and participate nicely in the transaction. Some as well benefit from the enhanced capabilities offered by their new parent and the greater clout and more prominent name. At the same time, there are some younger, very talented producers who got little out of the transaction and find themselves working for a buyer offering no ownership and a culture that may not be appealing. We are starting to see a fair amount of movement of these "unhappy" producers individually, or as teams, as they join other firms offering what they are looking for or they start their own firms.

Agent and Brokers that Don't Sell

Some would suggest that the best thing that can happen to an agent is to have one of their key competitors sell. The selling firm can get distracted and can no longer use ownership to attract or keep talent. As noted above, it may result in quality young producers wanting to make a move. Obviously, this is not always the case but when it is, it is only so to the extent that the remaining privates provide a platform on which producers can thrive and to the extent they leverage their opportunity to use equity as a way to set themselves apart.

Bobby Reagan
CEO Reagan Consulting

ReaganView is Reagan Consulting's forum for providing an occasional perspective on issues and opportunities relevant to the insurance distribution system

*This document includes only general information and should not be relied upon as legal, tax or compliance advice.

Agribusiness Farm Insurance Specialist Conference Wichita, KS

January 27-30, 2020

Our fellow Big "I" state association, the Kansas Association of Insurance Agents, is holding an AFIS Conference from January 27-30th in Wichita, KS.

This conference is only held a limited number of times across the country and is a unique opportunity to learn about the farm and agricultural insurance industry and earn/renew the Agribusiness and Farm Insurance Specialist certification. Attendees of this conference can earn all five parts needed to get the designation in just three days.

If you or your agency is looking to expand your agriculture and farming knowledge, this is a great opportunity! Click here to learn more about this conference and register or contact Karlyn@kaia.com with questions.

Agency Owners: Protect Your Hard-Earned Value by Insuring These Seven Risks

It's one of the great ironies of agency ownership: Principals spend their entire career solving other people's insurance needs, yet sometimes they fail to take care of their own. They're brilliant at identifying their clients' risks, but they often fail at protecting the agency they've built. It's a classic "the cobbler's children have no shoes" story.

To be fair, owners are busy, so they don't always think about the risks of running a business. Or they can't imagine those risks apply to their agency. As successful as they may be, they can be blind to the impact of a cyber attack, the sudden loss of a large client or the departure of a top producer.

Analyzing your business risks, and taking steps to reduce or eliminate them, will ensure your agency remains prosperous and grows in value.

If you're an agency owner, here are seven risks you absolutely need to address:

1. Cyber Risk. Most agencies don't take the risk of cyber intrusion as seriously as they should. They don't believe it will happen to them. Understand that cyber risk isn't limited to your own computer systems. You are vulnerable to breaches every time you interact electronically with an outside entity. That could be trusted advisors like accountants or attorneys, or even clients, vendors and carriers. It can be a significant risk, and the onus of protection falls upon you. How you communicate internally and train your staff is critical to reducing cyber risk. Protect information through strong passwords, multifactor authentication, encryption and other rigorous protocols and procedures. Sure, employees hate to change their passwords, or maybe they even share the same password. Don't let that happen. Change passwords on a regular basis; encrypt sensitive data when transferring it. Have set procedures for collecting, storing and disposing of personal data. Follow cybersecurity best practices. You'll never eliminate cyber risk entirely because the bad guys are always a step ahead. But just putting in some common-sense protective measures will reduce your exposure. Cyber is a big deal because it has real costs. In its 2019 "Annual Cost of Cybercrime Study," Accenture found that online criminal activity costs organizations millions in losses each year. The most expensive threats were malware, web-based attacks and denial of service.

2. Unforeseen Death/Illness of a Partner. Use tools, such as life insurance, disability income insurance or a funded buy-sell agreement, to insure against a partner or key employee dying or becoming disabled. These types of arrangements will protect your agency from unforeseen or tragic circumstances. At the same time, make sure you are building or retaining the next level of management so there is a succession plan if someone dies or is incapacitated. This may involve the use of equity incentives or a deferred compensation plan, and it ensures there is someone ready to step into the shoes of a key person who is no longer there.

3. Reputation Risk. Your reputation is critical to your long-term success in your community. In the insurance business, it's all about trust. The best agencies consistently communicate how things work to their staff, clients and carriers, so they eliminate mistakes and miscommunication. Ensure that your team is on the same page and well trained. Keep clients and carriers supportive of your efforts. Set expectations for your clients and staff so you minimize surprises. Documenting your workflow process and training your staff provides a level of comfort for your employees and your clients, and it demonstrates that you're running your agency effectively and are a good company to do business with.

4. Economic/Market Risk. On a regular basis, evaluate your strengths and weaknesses, and opportunities and threats. The old SWOT analysis is a tried and true approach to assessing your competition and identifying potential new markets. It's a good idea to gather your staff to ask some basic questions about your client base, what's happening in the local business community and your local housing market. Consider the demographics of your clients. Do you see trends that might help or hinder your ability to retain existing business or generate new business? Do you have clients or staff nearing retirement? What impact will it have on your agency's long-term health? Evaluate the concentration risks in your client base and community, including the potential loss of a key employer in your area or the loss of a major client that could cripple your agency in the short run.

5. Interest Rate Risk. Interest rates are always moving around. Agency principals should be evaluating their growth plans and looking at any current debt they may have. Lock in fixed-rate loans, and refinance existing seller notes and any existing floating-rate debt you may have. If you own commercial real estate that your agency is housed in, take a look at the benefits of refinancing or taking out some equity. Keeping a floating note is fine when rates are low, but it's also an opportunity to lock in the lower cost of capital. Remember, rates will eventually go up

6. Concentration/Personal Wealth Risk. The most significant asset any agency owner has is their stake in the agency. Most small-business owners have 70% or more of their net worth tied up in their business. With agency valuations continuing to increase, taking some of that equity off the table can help you diversify your personal holdings while still maintaining control of your business. Start by identifying key employees who may be future owners and communicating with them about your plans. Then put together a strategy to sell some equity to the next group of owners — it's a good retention tool for key people. Think of it as a liquidity event for current owners. Don't let all that equity you've built become a concentration risk. It's your retirement nest egg, and you need to find ways to tap it and diversify.

7. Long-term Succession. Every agency will eventually change hands one way or another, yet surveys show that as many as three-quarters of businesses don't have succession plans. Your goal should be to increase your agency's long-term value so you will earn more money when it comes time to sell or transfer ownership. Agencies that are willing to invest in technology, training for their producers and a high-quality staff will be more attractive to a buyer. Those are the agencies that will have more options to grow, increase value and sell at higher multiples. Look at ways you can create sustainable cash flow over time. This is what drives agency valuations. You may need to trim expenses or update your agency management system to become more efficient. Look at how much it costs to generate new revenue. Some streams of business may generate more income than others. At the same time, start grooming your successor. Give them an equity stake in your agency. Make sure you have a succession plan!

The same advice you give your clients about reducing risk applies to your own agency. Don't be caught unprepared or under-insured. Take the time to assess your risks and protect your agency so that it will be there for you and the next owners well into the future.

■ David Tralka is the president and CEO of InsurBanc, a division of Connecticut Community Bank, N.A. As the CEO of InsurBanc, he is responsible for keeping the bank focused on being an innovative provider of financial products and services for the independent agency community. An expert on agency mergers and acquisitions, agency perpetuation and financing, Tralka has presented at numerous venues.

Louisiana Trial Lawyers Lead State to No. 4 Judicial Hellhole Ranking

State's legal climate ranks worse than last year

Louisiana ranks near the top of the nation's Judicial Hellholes at No. 4 in 2019 because of the involvement of contingency-fee lawyers in parish coastal lawsuits, the legislature's failure to address the high cost of auto insurance caused by lawsuit abuse, and judicial misconduct plaguing the state.

The 2019 Judicial Hellholes report of the American Tort Reform Foundation finds that the lawsuit friendly legal climate in the state again ranks as one of the worst in the country. Louisiana joined Philadelphia, California and New York City at the top of the list, worsening in the rankings from last year. Louisiana has consistently been ranked in the top ten worst legal climates in the country for the past five years.

"Louisiana has the second highest auto insurance rates in the country and the legislature hasn't been in any big hurry to do anything about it," American Tort Reform Foundation President Tiger Joyce said. "The climate of lawsuit abuse has led to increasingly more expensive rates over the years."

The "Omnibus Premium Reduction Act of 2019" aimed to address lawsuit abuse and Louisiana's auto insurance rates. It passed the House but ultimately failed in Senate Judiciary Committee A.

On top of high auto insurance rates, excessive tort costs create a burden for Louisiana residents who lose their ability to create a livelihood due to the estimated loss of more than 15,000 jobs and $945 million lost in personal income. Sixty-five percent of residents do not believe lawmakers are doing enough to combat lawsuit abuse.

"Louisianans are worried about the cost of everything else increasing the way that our car insurance has," Executive Director of Louisiana Lawsuit Abuse Watch Lana Venable said. "Our courts are bogged down with cases and many insurers aren't writing policies in our state anymore."

Based on claims that the energy industry caused coastal erosion, millions of dollars have been spent on legal fees related to coastal lawsuits, while accomplishing nothing for the coast. Similar tactics used to target pharmaceutical companies to blame the opioid crisis on the industry. Local and parish governments have hired contingency-fee lawyers to file these lawsuits.

"While these may be noteworthy public policy concerns, the courtroom is not the proper venue for these discussions," Joyce said. "Litigation is a time-consuming, expensive endeavor that takes dollars away from researching and developing new, innovative processes that could solve some of these issues at hand."

Louisiana's judges are not without their issues. In 2018, the Judiciary Commission that governs judges received 543 complaints, with 216 going to further review. For instance, last year it was revealed that a sitting Louisiana Supreme Court Justice was previously under FBI investigation.

"Transparency is key to maintaining the trust and confidence voters have placed in our judiciary, as well as to ensure they are holding themselves to the highest standards of conduct," Venable said.

The country's Judicial Hellholes are:

1. Philadelphia Court of Common Pleas
2. California
3. New York City
4. Louisiana
5. St. Louis
6. Georgia
7. Illinois's Cook, Madison and St. Clair Counties
8. Oklahoma
9. Minnesota Supreme Court and the Twin Cities

New Jersey Legislature

The Judicial Hellholes report is released each December by the American Tort Reform Foundation to shine a light on abuses in the civil justice system and in state legislative bodies.

View the full report and read more details on Louisiana's designation at **JudicialHellholes.org**

Source: American Tort Reform Association
Bailey N. Griffith

USDA Designates Some Louisiana Parishes as Natural Disaster Areas

Agriculture producers in some Louisiana parishes now may be eligible for assistance from the federal government due to losses from Hurricane Barry, the state's agriculture commissioner reported.

Louisiana Agriculture and Forestry Commissioner Mike Strain, D.V.M., said the U.S. Department of Agriculture (USDA) designated Avoyelles, Evangeline, Rapides and St. Landry parishes as primary natural disaster areas. Producers who suffered losses caused by Hurricane Barry between July 12 and Aug. 16, 2019, may be eligible for USDA Farm Service Agency (FSA) emergency loans.

Producers in the contiguous Louisiana parishes of Acadia, Allen, Catahoula, Concordia, Grant, Jefferson Davis, Lafayette, LaSalle, Natchitoches, Pointe Coupee, St. Martin and Vernon are also eligible to apply for emergency loans.

The deadline to apply for these emergency loans is June 18, 2020.

FSA has a variety of additional programs to help farmers recover from the impacts of this disaster. FSA programs that do not require a disaster declaration include: Emergency Assistance for Livestock, Honeybees and Farm-Raised Fish Program; Emergency Conservation Program; Livestock Forage Disaster Program; Livestock Indemnity Program; Operating and Farm Ownership Loans; and the Tree Assistance Program.

Strain said producers may contact their local USDA service center for further information on eligibility requirements and application procedures for these and other programs. Additional information is also available online at farmers.gov/recover.

Source: Louisiana Department of Agriculture and Forestry

Year in review: Growing Cannabis, Cyber and Weather Claims

How the emerging marijuana industry, the sophistication of ransomware and an increase in wildfires are affecting insurance claims.

By **Aubrey Gene**

Claims activity in 2019 has seen a number of familiar trends such as natural and man-made disasters like flooding, earthquakes and fires as well as mounting cyber claims. In recent years, cyber topped emerging risks as insurers not only scrambled to figure out how to cover incidents but also watched as businesses of all sizes lagged on adopting coverage.

In 2019, we watched as a newer threat started gaining momentum and stumping insurers in the process: the wild west of cannabis. As more and more states legalize the medicinal and recreational use of marijuana, insurers are trying to figure out how to insure a substance that is still classified as a Schedule 1 drug, making its use or sale illegal at the federal level.

Insurers got closer to a win when the House passed the **SAFE Banking Act** in September, which provides financial institutions with a safe harbor for providing services to marijuana-related businesses in states where it's legal. The National Association of Professional Insurance Agents (PIA National) and other allies worked to secure parts of the Clarifying Law Around Insurance of Marijuana (CLAIM) Act into the SAFE Banking Act. This would prevent federal criminal prosecution of and civil liability for agents, brokers and insurers, and their officers, directors and employees when engaging in the business of insurance in states that have legalized cannabis in some form.

New business — and new risk

There are approximately two dozen insurers offering marijuana-related coverages to businesses involved in the growing and selling of the drug.

Many of these businesses operate as cash-only, and the passing of the SAFE Banking Act is expected to help them work with financial institutions to further legitimize and ensure their businesses.

Cannabis use isn't expected to grow, per se — it's always been around in one way or another. However, marijuana as an industry is expected to grow, and that growth is something insurers need to prepare for, Andrew Holmes, chief underwriting officer for UK-based CFC Underwriting, **told *Claims*** earlier this year. Marijuana can impact many facets of the insurance industry, including auto (personal and commercial), property & casualty, commercial general liability, workers' compensation, directors & officers liability, cyber, product liability, health and life.

An industry with little to no regulation and lack of legal representation are new enough for the insurance industry to figure out how to insure. Then this year, another twist was thrown into the mix when the Centers for Disease Control and Prevention announced that 33 deaths due to pulmonary disease seemingly occurred **in relation to vaping** a black market THC product. The incident is a wake-up call for companies that have little to no legal representation and will start looking to the insurance industry for help to bolster its business and supply chain.
Cybercrime time

Insurers also continued to watch cyber risks in 2019, as they have been for the last few years. According to the 2019 Hiscox Cyber Readiness Report, 53% of businesses **reported a cyberattack** in the previous 12 months. Firms are still slow to adopt cyber coverage, however, which is cause for alarm when the global cost of cybercrimes is estimated to be between $445 and $600 billion, according to McAfee's 2018 Economic Impact of Cybercrime Report.

These costs are mounting as the sophistication of cybercrime increases. It isn't just data breaches businesses need to worry about — claims are increasing due to ransomware, malware and business email compromise activity in industries from **schools** to **manufacturing** and more. Patrick Cannon, head of enterprise risk claims at Tokio Marine, says insurers are now regularly paying out **$1 million ransom claims** every 24 hours. In 2019, two specific types of ransomware have been targeting organizations: LockerGoga and Ryuk, according to Aon.

Going into 2020, insurers need to stay on top of ever-evolving cyber threats and keep up with demands from insureds for coverages that will help protect them in the event of increasingly sophisticated attacks.

It's only natural

Meanwhile, global economic losses from natural catastrophes and man-made disasters in the first half of 2019 amounted to $44 billion, according to Swiss Re Institute's preliminary estimates. Of that, $19 billion were covered by insurance, with the main drivers being thunderstorms and flooding events. These estimates were 22% lower than the 2000-2018 average, according to a report by Impact Forecasting, the catastrophe model development team of Aon's Reinsurance Solutions business.

But as they say, the night is still young. In 2018, the top three insured losses globally were caused by events that occurred after September 1: The Camp Fire, Hurricane Michael and Typhoon Jebi.

Wild side

Last year when our **Year in Review** went to press, the Camp Fire was raging in Northern California. The blaze, sparked by an electrical fire transmission by energy provider PG&E, went on to burn 153,336 acres and become the highest insured loss of 2018, according to AIR. Insured losses climbed to $614 million in the first three months of 2019, pushing total claims to over $12 billion as of April 2019, according to the California Department of Insurance.

As we go to press this year, dozens of fires are blazing through a number of areas in Northern and Southern California. Most notably so far are the Kincade Fire in Sonoma County and the Getty Fire near Los Angeles that have burned thousands of acres. Fire containment is slowly rising, but other fires like the Easy and Hill Fires are sparking by the hour.

In an effort to prevent further blazes, PG&E and Southern California Edison have shut off power to thousands of homes and businesses, and many have been forced to evacuate. For the first in its history, the National Weather Service has issued its first-ever "extreme red flag warning" for much of Los Angeles and Ventura counties.

It wouldn't be unlikely for wildfires to top 2019 claims again. According to **CoreLogic**, the U.S. has been experiencing record-breaking wildfires over the past several years. In 2018 alone, nearly 9 million acres burned — the sixth-highest total since modern historical records began in the mid-1900s.

Shakedown

California made headlines for other natural disasters, with this year being the 30th anniversary of the Loma Prieta earthquake (otherwise known as the World Series earthquake) that struck the San Francisco area in 1989. At the time, the 6.9 magnitude quake was the worst to hit the nation since

1906. The now-infamous "World Series earthquake" cost $902 million in insured losses.

Global risk and analytics firm **RMS calculated** that if the quake were to strike again today in exactly the same place, it would cost $4 billion in insured losses. That possible reality is sobering in the wake of two earthquakes that struck Southern California in July of this year.

On July 4 and 5, **two earthquakes** at 6.4 and 7.1 magnitudes, respectively, struck near the city of Ridgecrest, about 125 miles north of Los Angeles. The quakes were the worst to hit California since 1994's Northridge earthquake, a 6.7 magnitude tremor that hit Los Angeles and caused $44 billion in damages. While damages weren't notable, the earthquakes were a reminder of how susceptible California is to a major loss due to the natural catastrophe.

For Californians, the arrival of the next major earthquake isn't a matter of if, but when, and when it strikes, it will most likely be catastrophic — and 75% of losses would be uninsured, according to AIR.

Globally, earthquakes have struck other parts of the Americas, including the 8.0 magnitude Lagunas earthquake in Peru and 6.7 magnitude quake in Coquimbo, Chile.

Into the hurricane

Hurricanes did their damage in 2019, though not as catastrophically as in previous years. Hurricane Barry in mid-July struck Louisiana as barely a Category 1 storm but caused record rainfall in Arkansas. In total, insured flood and wind losses (excluding NFIP losses) from Hurricane Barry are estimated to cost between $300-$600 million, according to CoreLogic.

Hurricane Dorian hit the Bahamas with an estimated 1.5 billion to $3 billion in insured losses, according to AIR Worldwide. The storm was the worst to hit the Bahamas in its history, and its legacy will last for years due to high winds that stalled over the islands, causing an **estimated $7 billion** in property damage.

Windstorms take over

Hurricanes and tornadoes account for a decent amount of claims this year. According to AGCS, windstorms are the fourth cause of insurance losses by total value of claims.

In October, tornadoes in Texas were the **costliest in the state's history**, resulting in a preliminary estimate of $2 billion in insured losses, according to the Insurance Council of Texas. The estimate makes the Oct. 20 tornado outbreak

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the costliest in Texas history.

In the month of May, the U.S. was struck by **500 tornadoes**. The tornadoes were part of weather patterns that were to blame for **widespread flooding** across the Great Plains and the Midwest.

Keeping an eye on risks and their impact on the insurance industry can help carriers and policyholders better prepare for future incidents. While wildfires and severe storms can be unpredictable, they are not unexpected and taking steps to mitigate their effect will help everyone recover more quickly.

Aubrey Gene is a freelance writer for Claims magazine and PropertyCasualty360.com.

Surprise Medical Bill Moving in Congress Could Help Insurers As Well as Patients

By: John Tozzi and Emma Court

Congress is closing in on a deal that could shield patients from surprise medical bills, eliminating a source of frustration for Americans who face unexpected charges from emergency care and other procedures.

The question for the health-care industry is whether that fix might have broader implications for overall medical prices.

The new proposal advanced last week by bipartisan committee leaders would remove patients from disputes among insurance companies, doctors, and hospitals. It would apply in emergencies and other circumstances where patients can't avoid bills from physicians who don't accept their insurance. In those situations, patients would have to pay only what they would owe to an in-network provider for the same service.

Doctors, hospitals, and health insurers have millions of dollars at stake in how those disputed bills are resolved once patients are taken out of the middle.

The proposal moving through Congress would require that health insurers pay at least the median in-network market rate for the area. For those bills above $750, either side could seek to have the conflict resolved by an independent arbitrator if they disagree with the benchmark rate.

Removing the ability to bill patients directly could weaken a chief source of leverage that doctors and hospitals have to bargain with insurers over payment rates. Some private equity firms that own doctor-staffing companies lobbied against the measure. "Certainly you remove that club and I think you'll see some downward pressure on costs, particularly among private equity providers," said Loren Adler, associate director of the USC-Brookings Schaeffer Initiative for Health Policy in Washington. "It moves it back so the scales are only slightly tipped in the favor of providers, whereas before it was just overwhelmingly tipped."

Any surprise-billing legislation to pass Congress this year would likely be attached to spending bills that must be passed by Dec. 20. The Trump administration, which endorsed the latest deal, has also pushed for more transparency in hospital prices, an effort that now faces a legal challenge from hospital groups.

Some medical industry groups assert that the new bill would allow health insurers to dictate prices. "An arbitrary rate gives insurers an incentive to remove hospitals from their networks and force artificially low reimbursement rates, which limits access," Rick Pollack, president of the American Hospital Association said in an emailed statement.

Emergency Care

Medical providers can set their sticker prices as high as they like. Health insurers negotiate discounts from those rates by setting up networks where they steer patients for care. If a patient goes to a doctor or hospital that isn't in her insurance network, the provider is free to bill the patient for the full charge. Surprise billing arises when patients have no way to avoid out-of-network charges. That can happen after medical emergencies or planned procedures where patients can't choose all their doctors. Even someone going to an in-network surgeon at an in-network hospital might get a bill from an anesthesiologist who isn't on the plan, for example.

Nationwide, about 16% of inpatient hospital visits trigger bills from out-of-network providers, according to an analysis by the Kaiser Family Foundation. The practice raised consumers' ire and drew political heat, especially as some physician groups were accused of using it deliberately to boost reimbursements.

"Certain types of providers can negotiate higher payment rates by declining to join a network and threatening to balance-bill patients," analysts from the Congressional Budget Office wrote in July. "That strategy is most effective for providers whose services are not chosen directly by patients — such as

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anesthesiologists, pathologists, and emergency physicians."

As rising U.S. health-care prices collide with Americans' increasingly thin financial cushions, surprise medical billing has come to the forefront as an issue that Republicans and Democrats agree needs fixing. The new proposal, called the No Surprises Act, was advanced by a bipartisan group of three committee leaders in the House and Senate. It follows months of deliberations and intense lobbying from health-care industry interests.

Medical industry groups representing hospitals, some physicians and air ambulance providers urged Congress to delay surprise-billing legislation or change course.

Outsize Spending

U.S. health-care spending reached $3.6 trillion in 2018, or about 18% of gross domestic product. That's far higher than other developed countries, and economists blame outsize spending primarily on higher prices.

Though politicians frequently blame insurance companies and drugmakers for high health costs, the majority of health-care spending goes to hospitals, physicians and other professionals. Those services are purchased in local markets that are often dominated by a small handful of powerful health systems. While large employers and national insurers may have vast buying power across the country, they're often out-matched in any local market by the bargaining power of big hospital systems.

Certain medical specialties including anesthesiologists, pathologists and emergency physicians have been identified with surprise bills, because patients often can't choose these physicians. Those specialties also have among the highest sticker charges. Anesthesiologists charged almost six times what Medicare will pay, and emergency physicians charged four times Medicare rates, according to a 2017 analysis published in JAMA. Family physicians, whom patients can more easily select, charged 180% of Medicare rates.

Curbs on surprise billing might change that, and two distinct approaches have emerged as solutions. One would set payments for out-of-network charges based on a benchmark of other existing rates, like a 2017 California law. That approach has faced fierce opposition from hospital and provider groups.

Doctors and hospitals, meanwhile, favor a system in which third-party arbitrators settle disputed charges, an approach adopted by New York state in 2015.

The new proposal in Congress melds elements of the two models.

"This is sort of between a California model and a probably better New York model," said Ben Ippolito, an economist with the American Enterprise Institute. However, he noted that that the proposal gives arbitrators a lot of flexibility, making it difficult to predict how arbitration will be used and work over time.

Source: Insurance Journal

TECH TIPS

Holiday Travel Tools and Tips

Some people would call me a road warrior. I started traveling for business 25 years ago as I began speaking for and consulting with a wide variety of organizations across the country. In 2019, I took 38 trips to 52 different cities and was away from home 110 days. I guess that gives me the qualifications to know something about how to best survive travel.

While most of you don't travel to the extent that I do, I have learned some tips and tricks over the years that can help make your travel experience the best possible. I hope that a few of these items will help make your holiday travel as smooth and enjoyable as possible.

My Travel Apps

Your Airline App – You should always make sure that you have downloaded the appropriate app and created an account for the airline that you are flying. These phone apps have gotten more capable over the last few years and can provide you a vital link for information about your flight, and most importantly, about any delays.

TripIt — This website and app manage my travel information. I automatically forward email confirmations (using Outlook Rules) for my airline reservation, rental car reservation, and hotel confirmation. The information is automatically added to my "trip" and is listed in the right order. Having all of my travel information in one place is extremely helpful. The TripIt mobile app also provides alerts when your flight or gate changes.

FlightAware — This app allows you to track (in real-time) specific flights for any airline anywhere in the world. This can be very helpful when you want to know information about your inbound flight – specifically, is it on time? It's not accurate 100% of the time as airlines often can swap out equipment if there's a significant delay.

My Radar — This weather radar application shows the current weather radar for your location. It helps you understand when that next storm will arrive, helping you plan for any delays. It will indicate the speed of the wind as well as the intensity of any rain or snow. This gives you more visibility into potential delays.

Dark Sky —Another weather app that provides micro forecasts for the next hour. It gives you very localized weather information, including timing for when the rain will start and stop around your location.

Hopper — If you haven't purchased your flight tickets yet, this app uses historical flight pricing information to help you find the best time to buy your ticket for an upcoming trip.

How to Keep Cool During the Storms

There are several strategies that I use when traveling to help keep my cool when travel plans don't go the way I expected. Perhaps a few will help you the next time you are stuck.

Strategy #1: Plan Ahead

I make it a practice to monitor the weather whenever I am traveling, so I have an idea if my travel might be disrupted. I use a combination of desktop websites before my trip and the mobile apps described above to keep me informed. At smaller airports, it's essential to also understand flight options from other airlines that you could jump on.

Strategy #2: Pack Lightly

A key to being able to quickly and easily change to a different flight is not having to worry about checked baggage. I rarely check a bag when I'm traveling for business. Having to deal with checked luggage almost always limits the flexibility you have in changing your travel plans.

Strategy #3: Take the Right Clothes

Making sure you have the right clothes with you is another strategy that helps reduce stress when the unexpected happens. Over the years, I've purchased many clothes including sports jackets from TravelSmith. They are an online retailer of travel-friendly clothing for both men and women. The blazers are specifically designed to stand up to heavy travel, resist stains, and contain 12 different pockets. I've also purchased their ExOfficio travel underwear. It's expensive but well worth it.

Strategy #4: Use the Right Tools

I mentioned above that I use a combination of website tools and mobile applications to keep up to date with what's happening during my travels. Having the right tools, and knowing how to use them, is vital so that you can have the most current information possible. This information helps you make more informed decisions.

Strategy #5: Be Nice

I'm always amazed to watch other travelers who scream and yell at the gate agent who's trying to help them. I do my best to not take my frustration with disrupted travel plans out on them. They, in fact, are the ones who are in the best position to help me. I go out of my way to acknowledge them, thank them for their help, and try and relieve a little bit of their stress at the same time.

Strategy #6: Call and Wait In Line

If your flight is canceled, go ahead and get in line to talk to the agent about the options for changing to a different flight. While you are waiting, also call the airline help desk. If there is a significant disruption, the phone may be your fastest option.

Strategy #7: Be Loyal

There is some debate about how valuable airline loyalty is in today's environment. I have read some writers say that it is just not that important anymore. Loyalty to a particular airline may not be as important as it was five or ten years ago. But I'm convinced that in difficult situations, I have a better chance of getting home when I have status with the airline. There always is a balance between the cost of the ticket and loyalty to a particular airline, but at least for right now loyalty helps.

These are the strategies I have found help me keep calm during the inevitable storms that occur during winter travel. I hope these tips might help you have the best travel experience possible.

What have you found to be useful to help you manage the often unmanageable travel disruptions?

Steve Anderson

Steve Anderson provides information to insurance agents about how they can use technology to increase revenue and/or reduce expenses. He speaks professionally to hundreds of agents each year on the future of technology, the social web, and how insurance agencies can establish their Internet presence.


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2020 Trusted Choice®
Marketing Reimbursement Program (MRP) Guidelines

Trusted Choice will reimburse a portion of expenses incurred **in 2020** by Big "I" members for cobranding advertising and marketing materials. This is not meant to replace your agency's brand, but to complement it by including the **Trusted Choice** branding in your marketing efforts.

Levels of Reimbursement

There are 3 levels of reimbursement provided by the MRP in 2020:

Option 1: Cobranding with Trusted Choice - **Available for new members and first time MRP users only.**

Up to $750 for use of the Trusted Choice logo on any consumer-focused items.

All eligible agency locations will be reimbursed at 50% of the invoice amount, up to $750 maximum reimbursement per member location. This includes, but is not limited to, Trusted Choice ad materials, promotional items, original advertising (non-Freedom campaign ads), signage, or collateral items like business cards or stationery.

For Trusted Choice ad materials go to: https://cobrand.iiaba.net/made-for-you. Trusted Choice ad materials can be customized free of charge by Trusted Choice and returned to you ready for your vendor. There are print, digital, video, and radio ads that can be customized.

Option 2: Digital Upgrade - **Available to all member agencies. (One** per agency).

$500 for signing up to use a preferred digital vendor for your agency's website.

Current preferred vendor includes:

Web.com which covers the initial set up fee and first month of hosting services. This is a flat reimbursement of $500.

Option 3: TrustedChoice.com Advantage Subscription – Available to NEW Advantage Subscribers

Reimbursement for 50% of costs for first three months of the Advantage program up to $250 ([full details of Advantage subscription here]()). Must be a subscriber for full three months to qualify.

<u>Application Information:</u>

To apply for reimbursement, a Trusted Choice Agency must submit to Trusted Choice:

- completed reimbursement application form. Applications can be submitted on the Trusted Choice member website at https://cobrand.iiaba.net/money, mailed to the address on the form, or emailed to Trusted.Choice@iiaba.net.
- the approved design proof/sample/picture of each of the materials to be reimbursed (in color if possible). For digital (tier 2) reimbursement no proof is necessary, but please include agency's web address in the space on the form.
- invoice(s) **or** receipt(s) showing proof of payment

All invoices must be dated in 2020. Applications are considered in the order they are received. Allow a minimum of 8 to 10 weeks for processing, but be aware that it may take longer depending on volume of applications received at any given time. **Trusted Choice reserves the right to deny any request for reimbursement that uses the Trusted Choice logo in a manner that is not consistent with the Trusted Choice Brand Style Guide or the guidelines of the MRP. Only the Trusted Choice logo is eligible for reimbursement from the MRP**

If you are unsure about an item or use of the logo, want to get pre-approval of an item or proof prior to printing, or need to check if your agency or branch locations are eligible for any reimbursement, email us at Trusted.Choice@iiaba.net or call 800.221.7917.

Guiding principles of the Marketing Reimbursement Plan:

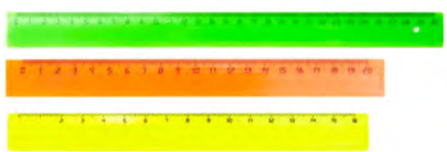
Allows for any activity involving the Trusted Choice logo in external messaging with consumer impact for new members and first time MRP users; and for an updated digital presence for all members.

The application must provide reasonable documentation that an expense was incurred and paid.

The nature of the expense is reasonably correlated to the external messaging and promotes the Trusted Choice brand to consumers.

The MRP will not reimburse ongoing expenses like directory listings, subscriptions to marketing services, expenses for yellow pages ads, website hosting/maintenance outside of web.com/preferred vendor or other phone book type advertising.

Download the 2020 MRP Application.



Rate & Rule Filings

Company	Coverage Type	Overall % Impact:	Overall $ Impact:	Number of Policyholders:	Changes
ACE Insurance Co of the Midwest	19—Private Passenger Auto	+9.9%	$134,567	341	New: 2/15/2020 Renewal: 4/15/2020

InsurPac

Once again this year, Bob Rusbuldt and Charles Symington of our national association, the IIABA (the Big "I"), were listed among the top trade association lobbyists in Washington, DC, by the prominent political newspaper *The Hill*.
Why does the Big "I" wield such powerful influence in federal legislative and policy matters that affect independent insurance agents?

One word: InsurPac.

One of the most respected and effective non-partisan industry PACs in the country, InsurPac provides the funding that allows the Big "I" to fight for our interests on Capitol Hill.

And it's on us to support InsurPac. If you have already made your annual contribution, we thank you. **If not, please do your part today to help Bob, Charles, and the entire Big "I" government affairs team continue their fight for the independent insurance agency system.**

To make your individual/personal contribution:

ONLINE: Go to insurpac.com/form.

BY CHECK: Complete a printed contribution form and send your check made payable to "InsurPac" to 20 F Street, NW Suite 610, Washington, DC 20001. InsurPac can accept a personal check or non-corporate LLC or Partnership checks.

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