



Independent
Insurance
Agents of Iowa

Viewpoint

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INDEPENDENT INSURANCE AGENTS OF IOWA

M A G A Z I N E



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for agents

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IIAI OFFICE STAFF

Chief Executive Officer

Bob Skow, CPCU, CAE
 bob@iiaiowa.org • Ext. 13

Chief Operating Officer

Tom O'Meara
 tom.omeara@iiaiowa.org • Ext. 18

Director of Membership Operations & Education

Melissa Meiners
 melissa@iiaiowa.org • Ext. 15

Technology & Communications Coordinator

Nicole Peffers
 nicole@iiaiowa.org • Ext. 17

Office & Education Assistant

Cindy Grim
 cindy@iiaiowa.org • Ext. 12

Membership Services Coordinator

Marilyn Paul, CPCU, AIT, AAM, CPIW
 marilyn@iiaiowa.org • Ext. 11

Membership Services Coordinator

Brenda Kluger, CIC, CISR, CIIP, CRM
 brenda@iiaiowa.org • Ext. 14

Membership Services Coordinator

Megan Kincy, AINS, AIS
 megan@iiaiowa.org • Ext. 16

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Terry Friedman, CPCU

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by Terry Friedman, CPCU



**Independent
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Agents of Iowa**

Take Advantage of the Benefits Offered By IIAI

THE VALUE OF YOUR IIAI MEMBERSHIP

In the past I have had agents ask me about the value of their IIAI membership, other than the access to the Big "I" E&O program. Questioning how we spend our money is always a good thing, and as much as I would like to think the value of membership to your state (and national) association should be a given, I certainly know better. Sometimes we don't know what we don't know, and it's on us to communicate the benefits of membership and why it is a good investment.

The most obvious benefit is access to the Big "I" E&O program. As successful as it's been, we realize that it is not always necessarily the best fit for every member agency. Did you know that IIAI has access to other carriers that offer E&O? No different than the service you provide for your clients, the IIAI staff looks to find the E&O carrier best suited for your agency.

Probably the second most notable benefit is education opportunities, which has been an IIAI trademark for decades. While we still offer live classroom caravans, we have changed with the times by offering more webinars with quality instructors at a competitive price. There are 14 webinars available in February, and 13 each in March and April.

Advocacy for independent agents (and our clients) is the benefit I would label as the unsung hero, and we need to continue to communicate that message to our membership. The National Big "I" has probably put more time, effort and money in fighting for crop insurance commissions, than any other issue. In addition, IIAI advocacy for flood insurance reform, health insurance and tax reform for independent insurance agencies is ongoing.

As far as the State of Iowa is concerned, IIAI has excellent relationships with legislators on both sides of the aisle, as well as the Governor's office. Our input is sought and welcomed on potential legislation and issues that come before the Iowa Insurance Division. Your association has played

a key role in developing meaningful legislation, such as the reversal of the Langwith Supreme Court decision, a decision that significantly increased the E&O exposure for agents.

Effective July 1, 2017, two important pieces of legislation were signed by our Governor. The Certificates of Insurance bill prohibits the requiring or issuing a certificate that contains misleading information about the insurance policies it purports. The bill clarifies Certificates of Insurance are no more than evidences of insurance, and cannot substitute for the coverage that is actually contained in the policies. Also, IIAI joined with other organizations to support the reform of Iowa Worker's Compensation law. There are a number of significant changes, and there have been two overall rate decreases since the legislation was enacted.

What is harder to communicate is the amount of time spent addressing and fighting all the potential negative bills that surface, before they get too far in the legislative process. Overall, Iowa is a good state for the insurance industry and consumers. Keeping tabs and preventing negative legislation is often more important than the bills we support.

In 2017, Iowa members could receive advertising reimbursement using the Trusted Choice® brand. There were



Big "I" VU
Find Answers.

also a number of Trusted Choice® co-branding opportunities available.

When I started in this business a few plus decades ago, the word “*technical*” in the insurance world was relative to the coverage contained in insurance policy forms. In the age we now live in, most consumers and even many agents associate the term “*technical*” with computers and automation, and insurance coverage is an afterthought. As far as I know, the insurance industry has yet to come up with a new term to replace “*technical*,” and we still use it when referring to insurance policy forms and coverage. Possibly the most underutilized benefit are the resources available for members to access “*technical*” insurance coverage information. Years ago the National Big “I” set up Virtual University (VU), which has a library on a plethora of coverage issues. As part of VU, agents can ask a specific coverage question through “*Ask an Expert*,” which can range from how to properly insure a unique situation, or an opinion as to whether a certain claim should be covered. (**Helpful hint:** VU puts out a free monthly newsletter that members can receive via email. Go to the National Big “I” website linked through the IIAI website. Click the education tab and scroll to Virtual University. The option to receive the newsletter is on that page).

Your Iowa Big “I” is one of the minority of state associations that has a functioning Technical Affairs Committee,

made up of agents across the state who have an interest in addressing and learning about insurance coverage issues. Along with that, this committee makes an effort to provide information and alert our membership on changes and potential coverage problems.

What other benefits does your association offer members?

1. IIAI Scholarships. Six \$1,000 scholarships available for sons and daughters of member agents and employees. (Deadline is March 1, 2018)
2. Big “I” Markets. Availability to insurance companies and programs many agents may not otherwise be able to access.
3. Discounts on services such as Caliper testing, Mines Press and UPS.
4. Agency Resource Toolkit. Includes advice and information on agency internet branding, disaster planning, social media, data breach and perpetuation.
5. E&O risk management (also part of the Agency Resource Toolkit). Many services, such as checklists, questionnaires, advice, and an E&O audit.

Finally, I don’t want to discount the value of our State Convention and Rural Agents Conference. Along with

IIAI Mission Statement

The Independent Insurance Agents of Iowa will be an unrelenting advocate of the business, professional and political interests of its members; doing so by working in the public’s best interest and with the highest ethical standards.

CEC’s and the opportunity to network with your peers and carriers, we always try to focus on timely topics and bring in top notch speakers.

As overwhelming as all this might seem, it begs the question as to how can a member find out more about these benefits, and access them when needed? I know we are all inundated with all kinds of communication – particularly snail mail and email. My suggestion is to start by going to your state association website, www.iiaiowa.org, where most of this information is available. Once you are in the IIAI website, you can link to the National website. If you need help signing in, email Nicole at the IIAI office at nicole@iiaiowa.org.

Hopefully there are benefits available and of interest for every agency. We encourage you to take full advantage of your membership. If you have more specific questions, we are always willing to help and direct you as best we can.

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by Tom O'Meara,
Chief Operating Officer



**Independent
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Who's Your Boss?

MY "BOSSSES" ARE YOU THE MEMBERS

Throughout my life, when asked the question, "Who's Your Boss," the answer has always been easy. Generally, I always reported to an immediate supervisor and the chain of command went up from there. While at the Insurance Division, I reported directly to the Insurance Commissioner and ultimately the Governor's office. When I began here at the Association in October of 2016, through January of 2018, I would tell people that Bob Skow was my "boss".

On February 1, 2018 that all changed. Now when asked the question, my answer brings laughter and then a blank stare when they realize that I am sincere when I respond that I have upwards of 10,000 bosses throughout the entire state. I go on to explain that my "bosses" are **YOU THE MEMBERS** of the Independent Insurance Agents of Iowa. Sure, I answer directly to our Board of Directors and it is they who oversee the daily functions of the Association and provide me with guidance and direction but this guidance comes in direct response to the needs and desires of you, the members. I can assure each of you this. When I answer my phone, or I receive an email, or visit with any one of you at one of our events, it does not matter whether you are from a large agency, medium agency, or a single person agency, our conversation matters equally the same.

I would like to take a moment and say "thank you" to a few groups of people for helping make the past 15 months a smooth, enjoyable, learning experience and transition. **First, to the Board of Directors** for trusting in me and giving me the opportunity to lead such a wonderful and respected organization. The respect this organization has reaches far beyond the borders of our state and is recognized nationally as one of the top Insurance Associations in the country. **Next, to the staff here at the Association.** They are worth mentioning by name because each of them in their own way contributes so much to the continued success of our organization. So, to Melissa, Nicole, Cindy, Megan, Brenda, and Marilyn – thank you. **Also, to you, the members,** thank you for showing me what this Association is all about. I have learned from all of you the importance and pride you take in what it is we do. I have

seen the important tradition of our past; the pride and dedication of our present; and the enthusiasm and strength of our future. **And finally, to Bob Skow.** I cannot express enough the appreciation I have for Bob sharing his knowledge, compassion, drive, and ambition with me during our transition process. It is safe to say the word "patience" could never be associated with the name "Bob Skow" however it was his patience with me during the 15-month transition that impressed me most. Although it could not have been easy, Bob never once became angry with my repeated questions, my misunderstanding of his directives, or my in-ability to totally understand his thought process and reasoning behind some of the things we do, and finally, my following him around like a puppy dog up at the State Capitol. I can honestly say that I have learned more professionally in the past 15 months than in my entire professional years combined.

The transition period is over. We must all remember the rich tradition of our Association and carry it on into the future. The Association has been blessed with great leadership beginning with *John Cutter* (1934-1947), *James Richards* (1947-48), *Paul Mast* (1948-1953), *Stew Ulrich* (1953-1975), *Larry Vander Tuig* (1975-2002), and *Bob Skow* (2002-2018). Now, as I take the leadership role, my promise to you is to continue to strive toward excellence and be there to assist all of you to achieve your goals and desires as Independent Insurance Agents of Iowa.



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INSURANCE APPLICATIONS:



AMBIGUITIES AND LIES

■ By Chris Boggs

An insured's offer to purchase insurance is made in the form of the application, supposedly completed by the insured. Acceptance flows from the insurance carrier in the form of a policy. Logically, then, the insurance negotiation begins with the application.

Because the relationship between the insured and the insured begins with the application, three factors must be considered when completing an application:

1. How did the insured interpret the application question;
2. Did the insured answer truthfully based on his/her understanding; and
3. Was all pertinent information provided?

Application Ambiguities

One recent court case disallowed an insurer's attempted claim denial arising out of the insured's supposed misrepresentations in the application. The court held that the application question at issue was ambiguous, and because the insured answered truthfully based on how they understood the question, the carrier could not assert misrepresentation.

What Does 'Bite History' Mean

In completing his homeowners' insurance application, Christopher Tilley

was asked if there were any animals or exotic pets kept on the premises. When he answered yes, Tilley was asked to provide the breed and bite history. The agency CSR recorded Tilley's response, "American bull dog – no biting incidents." (*Schultz v. Tilley*, 2017 Mass. App. LEXIS 62 (Mass. Ct. App. May 18, 2017).

Subsequent to this meeting, Bocephus (Tilley's dog) attacked two Yorkshire Terriers owned by Edith Schultz. In the attack, Schultz herself limped away with a broken arm, a face laceration and various other injuries.

Tilley filed the claim with his insurance carrier, Vermont Mutual (VM). During its investigation, VM discovered that sweet Bocephus had an active history of attacking dogs owned by surrounding neighbors. With this new information, VM asserted material misrepresentation, denied the claim and attempted to void the policy – all because of Tilley’s answer to the “bite history” question.

Tilley testified in court that he understood the question to mean, had the dog bitten any person.

The truthful answer to this question was, no; Bocephus was as sweet as pie to people (he just didn’t care much for other dogs).

Ultimately, the court agreed that the question about “bite history” was ambiguous and subject to multiple reasonable interpretations. The carrier had to pay the claim.

Three other court cases also found ambiguity in application questions:

- *Graham v. Lloyd’s Underwriters at London*, 964 So. 2d 269 (Fla. Dist. Ct. App. 2007);
- *UnionAmerica Ins. Co. v. Fort Miller Group, Inc.*, 590 F. Supp. 2d 1254 (N.D. Cal. 2008); and
- *Ocean’s 11 Bar & Grill v. Indem. Ins. Corp. RRG*, 2012 U.S. Dist. LEXIS 157585 (S.D. Fla. Nov. 2, 2012).

All three courts declared that because: 1) there were multiple reasonable interpretations of the questions meaning (there was ambiguity); and 2) the insured answered truthfully based on his/her understanding of the question, there was no grounds for claim denial based upon material misrepresentation. Each decision pulled from and quoted several other similar cases; application ambiguity is not a new phenomenon.

If the insured expresses uncertainty about the meaning of a question, be very careful how you explain the intent of the question. Does your explanation match the carrier’s intent? If you’re not sure, you may want to ask the underwriter, and get their response in writing.

Creative Lying by Application

I don’t want anyone to misinterpret my intent, I’m not accusing anyone of any impropriety – necessarily. My

purpose is only to point out one sample situation where the ACORD application fails to require sufficient detail to avoid improper agent “creativity.”

Rule number one of any and every insurance application: Never fill the application out for or on behalf of the client; they need to hear and answer every question.

Grab a copy of the ACORD 140 (Property Section). Go ahead, I’ll wait. Now that you have it, look for the box entitled, “BUILDING IMPROVEMENTS.” Got it? Good. Let’s study this a minute.

What information is asked for in this section? First, have there been any updates to any of the major systems (heating, plumbing, roofing or wiring)? Second, in what year were those updates made?

That’s it! No other details are sought. This is where the concept of “creative lying” comes into play. Two very important follow up questions aren’t asked, but should be:

1. What were the extent of the updates: Did the insured add a breaker or did they rewire the entire building? Did they patch a hole on the roof or reroof the entire building? and
2. Who did the updates: Was it a licensed contractor or “Uncle John” who happens to like working with his hands?

This is only one example where the application may not ask all pertinent

details, but failure to provide the necessary underwriting details in this or any similar situation is lying by omission.

As agents, our relationship with our underwriters is one of utmost good faith. Because of this, we owe the underwriter the whole story. We need to ask detailed questions and pass the information along to the underwriter.

The #1 Rule of the Insurance Application

Although I know there is no need to write this, outside forces require me to do so... Rule number one of any and every insurance application: Never fill the application out for or on behalf of the client; they need to hear and answer every question.

Tying it All Together

You have no way of knowing if your insured understands the questions in the insurance application in the way the insurance carrier desired them to be understood. Further, you may understand the question differently than your insured and the insurance carrier. Lastly, you have no control over whether your insured answers truthfully. However, you do have control over asking follow-up questions to provide your carrier with all relevant information. Remember, just because it’s not a question on the application does not mean the information isn’t relevant to the underwriting.

Christopher J. Boggs, CPCU, ARM, ALCM, LPCS AAI, APA, CWCA, CRIS, AINS, joined the insurance industry in 1990. He is the Executive Director of the Independent Insurance and Brokers of America (Big "I") Virtual University.

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Agency

E&O CONSIDERATIONS

When Using

SOCIAL MEDIA

Not a day goes by without my email containing

an invitation to join a social networking site. Whether used for business contacts, maintaining contact with friends and family, or to reconnect with acquaintances from years past, the use of social networking sites is rapidly increasing. According to one internet research firm, 2008 saw the use of social networking sites overtake email by Internet users across the world.

Much discussion has taken place on how to best harness the power of social networking for the benefit of your insurance agency. ACT and other organizations have written extensively on the power of social media to enhance agency online marketing and to generate “virtual” referrals. The focus of this article, however, is to examine the risks that agencies need to take into account when they take advantage of these opportunities to broaden their reach. I will examine the more common errors and omissions risks that can be associated with the use of social networking, along with steps you can take to mitigate those risks.

by Sabrena Sally, CPCU

If you are not familiar with social networking sites, here is a brief discussion of the most common functionalities. This is by no means all-inclusive, as the technology changes daily. Most sites offer the ability to create a homepage following a template provided by the site. Depending on the site being accessed, the profile

template may be limited to key information you wish to be known about your agency along with an uploaded photo, or it can be as robust as a site containing multiple photos, videos, and links to other sections of the site (as well as to other sites) containing additional content you have created and posted. Users of the site typically invite other users to join their community, and the invitee is free to accept or decline. Most sites also offer blogs, chat rooms, forums, and search capabilities to help locate other users based on your chosen search filters.

Rules of the Site

Posted privacy statements and user agreements are standard on social networking sites, and most also include a list of “do’s and don’ts” to follow when using the site. Although containing lengthy legal terminology, it is in your best interest to fully read a site’s user agreements and privacy statements before agreeing to the terms of usage. User agreements tend to be very broad in favor of the site owner, commonly giving the rights to the site to use all content posted by users, and retaining the right to remove, discard or withhold user posted information at any time. User agreements usually state that the site assumes no responsibility to monitor disputes between users, and contain hold harmless/indemnification agreements in favor of the site for damages suffered by the site as a result of content posted by a user or as a result of any actions of the user while using or misusing the site.

Now, let’s assume you have read the user agreements, privacy statements, and “do’s and don’ts” of a site you have chosen to use. You are ready to sign up. But wait! Don’t hit that submit button too quickly. Instead, take some time to consider what type of errors and omissions exposures your agency may face by using the site.

Overview of E&O Exposures

The exposures can range from advertising, contractual liability, defamation, offering erroneous recommendations,

and may even extend to antitrust issues. These are not new exposures to your agency, but the nature of social networking sites does impact errors and omissions exposures in several ways. Information entered on social networking sites is able to achieve instantaneous worldwide distribution in a matter of seconds. An electronic record is also created which can survive indefinitely. In addition, discussions taking place on these sites tend to be more casual and take place more quickly than even email communication, making it easier for a statement to be taken out of context. Let’s drill down to the most common errors and omissions exposures faced by agencies using social media.

Contractual Liability

The user agreement on the site most likely contains a requirement that you hold harmless and indemnify the site. The agreement at one popular site is quite broad, stating:

“...you shall indemnify and hold us harmless from any damages, losses and costs related to third party claims, charges or investigations, caused by your failure to comply with this agreement, including without limitation your submission of content that violates third party rights or applicable laws, caused by any content you submit to us, or caused by any activity in which you engage through the site.”

That provision in itself is amazingly broad, but it becomes even more so when you look at the definition of the site agreement. The site agreement in this particular case states that you must comply with all applicable laws, the “Do’s and Don’ts” posted on the site, the notice and take-down procedures of the site, the site privacy policy, and any other notices of the site.

Loss Control Tip:

- Read the user agreement, privacy statement, and “do’s and don’ts” thoroughly. Consult with your legal counsel if needed to be sure you

have a full understanding of the liabilities to which your agency is agreeing.

Advertising Liability

You most likely will create some type of agency home page, so let’s look next at advertising exposures. The insurance regulations in several states specifically mention Internet advertising. For example, this excerpt from NY L Circular Letter No. 5 (2001) is both specific to Internet advertising and broad in scope:

“Advertisements that appear on the Internet are subject to all applicable existing statutory and regulatory guidelines and restrictions applicable to advertisements in any other medium.”

It is clear that the same level of care should be given to agency advertising on social networking sites as is given to the agency’s traditional advertising. Where the line can easily be blurred, however, is when an individual agency owner or employee uses the agency name, logo, or other advertising identifier as part of their personal social networking site. Does that then constitute advertising for which the agency can be held liable? That question has yet to be settled. The agency’s exposures from advertising on these sites can be mitigated by following the same legal vetting process as is used for traditional advertising. An agency procedure should also be established that addresses to what extent employees have permission to link to the agency’s sites, or use the agency name, logo, or other advertising material on their personal sites (more on this procedure later).

Loss Control Tips:

- Be sure your agency advertising on the site complies with all statutory and regulatory guidelines.
- Establish an agency procedure addressing employee linking to agency sites or use of agency name, logo, or other advertising on their personal social networking sites.

Defamation

Most social networking sites feature blogs, chats or forum discussions. Participating in these discussions can present exposure to defamation, or in this case libel since the discussion is in written form. Your agency has always faced exposure to defamation from verbal discussions and written communications. On social networking sites, however, discussions taking place on blogs and in chat rooms or forums tend to be less formal, may include more opinion than fact, and tend to move quite rapidly between many parties. In fact, the popular site Twitter limits text comments to no more than 140 characters. The end result is that it is much easier to make a statement that is taken out of context. Unlike verbal discussions, comments made on the interactive features of social networking sites or in blogs that accompany online articles are captured electronically and can be stored indefinitely, further exacerbating the issue of less formality.

Keeping in mind that commercial speech – speech which proposes an economic transaction – is entitled only to limited First Amendment constitutional protection, there is a real question as to the level of First Amendment protection business representatives will receive when they write or respond to a blog. The answer is not yet clear. As this area continues to develop, you would be well served to consult with legal counsel experienced in First Amendment law for guidance on creating the agency's policy regarding the content you will permit on blogs on your agency's behalf.

Loss Control Tip:

- Consult with qualified legal counsel for guidance on the agency's policy on blogging.

Privacy Issues

Closely tied to defamation is public disclosure of private facts, which occurs when someone reveals information

that is not of public concern, and the disclosure of the information would be offensive to a reasonable person. The interactive spaces on social networking sites are not secure spaces for discussing personally identifiable information.

Agency Procedures for Social Web Use

Agency procedures for social networking should require employees to keep their discussions professional and they should distinguish between statements of fact versus those of opinion. Comments that can be construed as leading or participating in attacks on either individuals or businesses should be avoided.

Employees should limit their focus to a generalized discussion of an insurance topic. When a discussion becomes specific as to an identifiable risk or individual, it is no longer appropriate for an interactive space, and should be moved offline. Once moved offline, a

What's New?

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- Nationwide geographical scope.
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- Broader appetite for select risks (including Total Insured Property Values as high as \$50 million for certain industries and risks).
- Higher A.M. Best financial size (i.e., "X").
- Enhanced infrastructure to support growth.

What's Not?

- Secure financial strength that comes from being a member of the Berkshire Hathaway family.
- Our A+ ("Superior") A.M. Best Company Rating.
- Average annual growth in premium in excess of 25% per year for the past five.
- Ongoing product and service enhancements to win renewals and keep a high retention ratio.
- Our focus on being data-driven and using business intelligence to gain a competitive edge.
- A superior combined ratio that (according to A.M. Best) outperforms our peers.
- Our commitment to distribution through independent agents!

GROWTH

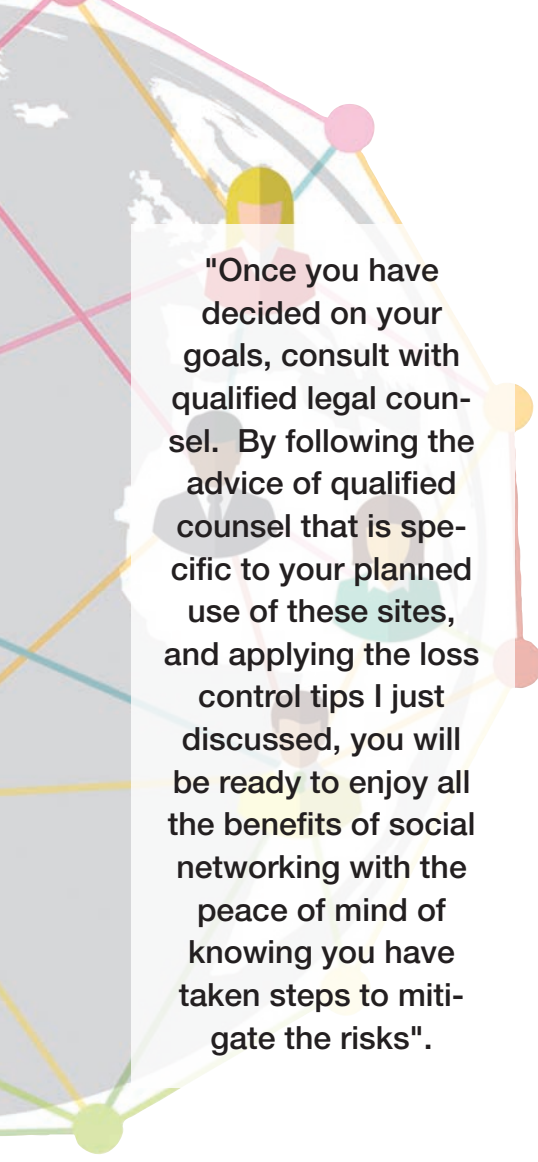


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"Once you have decided on your goals, consult with qualified legal counsel. By following the advice of qualified counsel that is specific to your planned use of these sites, and applying the loss control tips I just discussed, you will be ready to enjoy all the benefits of social networking with the peace of mind of knowing you have taken steps to mitigate the risks".

discussion specific to an identifiable risk or individual should then move into the agency's established workflow process. This provides the standard servicing and documentation that would occur had this discussion taken place in person, via phone or within email.

Loss Control Tip:

Establish written agency procedures addressing employee use of social networking sites, including:

- Who within the agency has permission to participate on behalf of the agency
- Define acceptable behavior (professional, fact versus opinion, no leading or participating in attacks on individuals or businesses)

- Employee sites should make clear they reflect their own views and not those of the agency
- Identify when a discussion should be moved offline and into agency workflow
- State the consequences of non-compliance.

Incorrect Advice

Agencies face exposure every day when rendering or failing to render professional services. Operating in the virtual world of the social web is no exception. Whether it is the advertising of agency services provided as part of the agency home page or comments made in a chat area discussion, the standard of care in providing professional services is no less than what exists in more traditional venues.

The standard disclaimers used on your agency's voice mail, email, and website also should be used on social networking sites. The same agency procedures your staff follows regarding risk analysis, recommendations, and documentation also apply to all content and discussions on social networking sites. As mentioned above, the interactive features of social networks do provide unique challenges. The written procedures your agency establishes to address social networking will not only guide agency staff behavior while using these sites, but will also help protect your agency against allegations of errors and omissions.

Loss Control Tips:

- Use standard disclaimers such as those used in voice mail, email, and on website
- Be clear in the agency's procedures that established processes and workflows apply to all discussions and service focused on an identifiable risk or individual or business generated through the social network site.

Armed with an awareness of the main errors and omissions exposures that


can arise from use of social networking sites, you are almost ready to take advantage of the opportunities presented while still protecting your agency against unexpected exposures. But before getting started, give careful thought to what your goals are in using these tools. Do you plan to use sites such as Facebook or LinkedIn more as another venue in which to advertise your agency? Or, are you considering jumping in with both feet and actively participating in or running an interactive discussion to generate new "fans" who can become prospects?

Once you have decided on your goals, consult with qualified legal counsel. By following the advice of qualified counsel that is specific to your planned use of these sites, and applying the loss control tips I just discussed, you will be ready to enjoy all the benefits of social networking with the peace of mind of knowing you have taken steps to mitigate the risks.

This article is intended only for educational or illustrative purposes and should not be construed to communicate legal or professional advice. You should consult legal or other professionals with respect to any specific questions you may have. Further, the statements and/or opinions contained are those only of the author and do not constitute and should not be construed to constitute any statement, opinion or position of Swiss Re.

Sabrina Sally, CPCU is Senior Vice President of Westport Insurance Corporation, a Swiss Re company, who manages the Big "I" Agency Professional Liability Program. Sabrina can be reached at sabrina_sally@swissre.com.

Sabrina produced this article for the Agents Council for Technology (ACT), a part of the Independent Insurance Agents & Brokers of America. For more information about ACT, visit www.independentagent.com/act or contact Jeff Yates, ACT Executive Director. This article reflects the views of the author and should not be construed as an official statement by ACT.



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"REDUCING YOUR INSURANCE COSTS... DISTINGUISHING BAD ADVICE FROM GOOD ADVICE"

Many Americans are struggling financially in the current economy, particularly those struck by lay-offs, and are faced with tough decisions about how to reduce expenses. As a result, much has been written in recent months about how to reduce insurance premiums as one aspect of a belt-tightening strategy. Unfortunately, too much of this advice has been BAD and much of this bad advice comes from consumer web sites and publications that have little understanding of insurance and risk management. The purpose of this article is to identify some of the bad advice being bandied about and to reinforce some of the good advice. It concludes with 10 reasonable things you can do to reduce your insurance costs.

The first myth we want to dispel is that all policies are alike, the difference

only being the price. Insurance policies are legal contracts and, aside from some industry standards, each insurer's policy is unique. Some cover far more or less than others. For example, some auto policies do not cover nonowned autos. Do you ever drive someone else's car? Some auto policies do not cover business use. Do you ever run by Office Depot, the post office, or the bank on behalf of your employer? Some auto policies exclude undisclosed household residents. Is it possible that a child might move back home for economic reasons and you forget to tell your insurance agent? Might you drive that resident child's car after they move in? Did you know that some auto policies won't cover you while driving a resident family member's car? Has a family member taken on a second job delivering pizzas to make ends meet? Some auto policies cover this, some don't.

These are all very real examples of coverage shortcomings that the "low cost" auto insurance advertisers don't tell you about. In fact, if you ask to see their policies before buying, chances are you won't get a copy. Consumers shop for most things based on value, not just price. The same should be true for insurance which is far too often portrayed as some sort of homogenous commodity. So the next time you see a cute or clever sales pitch from a lizard, cave man, or giggling Walmart-like "pick your price" aisle clerk, ask what you're buying. The amount of coverage you need depends on your exposure to loss and what assets and income you need to protect today *and in the future*, not what you'd like to pay.

A second myth is that you can rely on insurance advice from consumer web sites and publications. Sadly, consum-

ers often accept insurance advice from attorneys, plumbers, roofers, cops, and accountants before they'll listen to their own insurance agent. A major national publication included advice from a "consumer expert" that recommended dropping replacement cost coverage for "actual cash value" coverage, something that is likely to save the insured little in exchange for much in the way of lesser coverage. In the late 1980s and early 1990s, Charles Givens made a name for himself, in part, by recommending that consumers drop various kinds of insurance. Lawsuits ensued when consumers who followed his advice suffered catastrophic uninsured losses.

One popular consumer insurance web site recommends that consumers consider dropping their physical damage and uninsured motorists coverage completely while reducing their liability coverage to the state minimum requirements. At a time when consumer assets are at their greatest peril, now is not the time to be reducing or eliminating critical coverages that protect you from catastrophic loss. The article shows that, by dropping your liability limits from 100/300/50 to 25/50/10 and eliminating the physical damage and uninsured motorists coverages on your auto, you can reduce your total premium by just over 50% on average.

What they don't show is that the average values of the autos they used in the examples ranged from \$12,000 to \$22,000 according to Kelly's Blue Book. How many economically depressed or out-of-work families can afford even a \$12,000 loss, much less a 6- or 7-figure liability claim? Auto liability limits of 25/50/10 mean that each person you negligently injure in an auto accident gets no more than \$25,000 (\$50,000 total for all injuries) and any property damage you cause, such as damage to the other vehicle, is limited to \$10,000. Is it possible that a hospital bill might exceed \$25,000? Is it likely that the other vehicle you total is worth more than \$10,000? Of course, particularly considering that all of the autos they used in their examples of how you can save money by dropping physical

damage coverage were worth more than that!

According to the Insurance Research Council, 1 in 6 drivers may be driving uninsured by 2010. With the number of uninsured drivers already over 25% in some states, what happens when a family member is permanently disabled by an uninsured driver and the family has dropped its uninsured motorists coverage? A much better recommendation would be to begin cost-cutting measures by eliminating the purchase of pizza, cigarettes and beer instead of critical insurance coverages.

A third myth is that you can drop some coverages because others exist to pay in their absence. For example, so-called financial experts may recommend dropping uninsured motorists and medical payments coverage on an auto policy if you have health or workers compensation insurance. Uninsured motorists insurance covers much more than just medical expenses. Given the growing number of uninsured motorists, removing or reducing this coverage can expose you, your family members, and passengers to catastrophic loss.

In the case of business insurance, many business owners are looking, if the law permits, to drop workers compensation insurance or have officers with strong health insurance plans exempt themselves. Workers compensation typically pays UNLIMITED medical benefits, plus disability, rehabilitation and even burial benefits. In addition, some health insurance plans exclude work-related injuries or work injuries that could have been covered by workers compensation. Some businesses are considering eliminating business interruption insurance even though studies have shown that few businesses survive a major loss long enough to be able to reopen their doors.

A fourth myth is that you should insure the *market value* of your home or business building. Market value is based not only on the cost to rebuild but also on the value of the location

and land value. It's also a function of how much someone is willing or able to pay for your property based on their financial position and the ability to obtain a loan. Your insurance limit is based almost exclusively on the cost to repair or replace the building. The market value can be significantly higher or lower and, just because the market value of your home or business building has declined doesn't mean you should reduce your insurance limit. In fact, while home prices countrywide have declined measurably in the past year, the cost to rebuild those homes has risen about 4%.

These are just a few examples of what consumers and business owners are doing to reduce their insurance costs, many of these approaches coming from extraordinarily bad advice from consumer writers and others who lack the knowledge to understand what they are suggesting. Attorneys, for example, often suggest that youthful drivers be placed on their own minimum-limits policies (and their vehicle titled in their name if possible) in order to insulate the parents' assets from a lawsuit. Many, if not most, auto policies have an exclusion that would result in the parents having NO coverage under their own policy for some claims, an unintended consequence that arises from advice given by someone who lacks the intimate understanding of the insurance contract necessary to provide sound insurance advice.

So, what are some reasonable approaches that CAN be taken to reduce or control insurance costs?

10 Things You CAN Do to Control Insurance Costs

- 1. Investigate coverage and product options with your independent insurance agent.** One of the advantages of using an independent agent is that s/he represents a number of insurers with different products and can assist customers in fitting the right product at the right price for the unique exposures you present. Keep in mind that a

lower price often means inferior service and lesser coverage, possibly lesser to a greater degree than the premium decrease. Also note that this tip deliberately avoids advising you to "shop around" because that implies price comparisons should drive the decision.

- 2. Carefully consider whether increasing deductibles NOW is appropriate.** While increasing a deductible can save money, it's important to do it at the right time. Don't raise the property deductible well past the point of sensible premium reduction on the theory that "it will never happen to me"... insurance purchasing decisions are often made with little regard to post-loss consequences of our current buying decisions. A higher deductible could pay for itself in 3-5 years, but it could take 7-10 years and not be a good investment. The preferred approach is to increase deductibles during good economic times when you can afford a \$1,000 - \$2,500 loss while accumulating a deductible fund that can be used during hard times if a loss actually occurs then.
- 3. Consider multiple-policy discounts.** This is common advice and generally good advice. Having homeowners, auto, and umbrella policies in the same company will likely save money and, perhaps even more important, will make it less likely that a coverage gap will show up when more than one insurance company is involved in a claim. Likewise, in business insurance, having general liability and auto coverage in the same insurer using "ISO-standard" or superior forms is often critical.
- 4. Ask for credits.** Too often, consumers are entitled to credits for alarms, extinguishers, good student driving discounts, etc. but the agent is not aware of them. Ask your agent for a list of everything that could reasonably reduce your premium and see if you can meet

those standards. A good example is how your auto is rated for use. If you're laid off from work or you've found a job closer to home, you might very well be entitled to a lower premium. Unless you tell your agent about these kinds of changing circumstances, you won't reap the benefits of reduced risk.


- 5. If you're going to drop coverages, consider dropping noncritical coverages.** Examples include towing and rental reimbursement, credit insurance, etc. Your independent agent can assist you in making these decisions. Consider discontinuing high-risk activities such as using ATVs, jet skis, etc. Catastrophic injuries are common with vehicles of these types.
- 6. CAREFULLY consider dropping physical damage coverage on your vehicles.** As outlined above, this is not always a good idea unless you can absorb a significant 4- or even 5-figure loss. Keep in mind, too, that as an auto loses value, the physical damage premium generally declines as well. Do not be fooled by any simple formula that says you should drop coverage when the value of the vehicle drops below "X" times the premium. You should base your decision on what you can afford to lose and, if your car was destroyed and you could not replace it, how would that affect you financially.
- 7. Weigh risk management alternatives to insurance.** For example, you could place jewelry in a safety deposit box rather than scheduling it. Needless to say, this is probably more risky, but it's a reasonable consideration. Also, do not cut back on maintenance and loss control procedures that yield long-term benefits like the reduction of frequent losses and those often excluded by insurance policies.
- 8. If necessary, sell some possessions.** Can you get by without certain autos, motorcycles, ATVs,

jet skis and boats, homes, jewelry, guns, etc.? If so, you can drop the insurance on those items. However, it is generally a good idea to not drop insurance on property until your exposure to loss no longer exists. This is especially true of any possession that has a significant liability exposure.

- 9. Seek expert advice.** Start with your independent insurance agent who is familiar with you and your circumstances, not a consumer web site or publication that presents generalized, sometimes suspect, advice, nor someone who lacks the training and experience to provide sound insurance advice. Work with your agent to seek outside advice from other experts. If you are getting insurance advice from your attorney or accountant, run it by your insurance agent to see what impact it might have on your policy coverages.
- 10. Question any advice you get, even the advice in this article!** It may not be right for YOU. Before you make decisions to reduce or eliminate insurance coverages, assess your risks of loss. What are your exposures? What can you lose? What exposures represent losses you cannot afford? What exposures can you retain? The quality of your decisions may be the difference between economic survival and bankruptcy. Carefully chose an insurance representative who can help assess risk with a degree of sophistication and business acumen.

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Q&A - Tom O'Meara

VIEWPOINT: We are visiting with Tom O'Meara who effective February 1, 2018 became the new Chief Executive Officer of the Independent Insurance Agents of Iowa. Tom, tell us about your early years.

TOM: I was born and raised in Des Moines and was the youngest of 8 children. We all attended Holy Trinity grade school and graduated from Dowling High School. I participated in a variety of sports growing up but none of them panned out the way I had imagined, so I decided college was probably a good next step. I attended and graduated from Creighton University in Omaha, NE. This was not a tough college choice for me as both my parents graduated from Creighton and 5 of my siblings also attended Creighton at some point.

VIEWPOINT: After you graduated from Creighton tell us about your life from there.

TOM: Upon graduation I took a few "in-between" jobs until I finally landed my first real time gig. I was a manager of a farm implement store called Central Tractor. The company headquarters was located in Des Moines, but other than one store in the Des Moines area, most of the locations were scattered throughout the East Coast. My first store was located in Dover, Delaware. It was at this time that I married my wife Georgia who I had met while working at a local restaurant together in Des Moines. Following the birth of our son, Brett, we were relocated to a store in Pennsylvania. Eventually we ended up relocating to five different east coast stores. Although it was a great experience, we decided that with Brett getting older and preparing for school, we needed to settle down somewhere.

VIEWPOINT: So how did you end up in the insurance business?

TOM: We decided to move back to Des Moines and I spoke to several people about career opportunities. The message from most of them was clear. If you want a career in the Des Moines area, the insurance industry was the place to look. I ended up interviewing for a claims job with Allied Insurance and was hired. I began learning the business by working windshield and towing claims. For the next 7 years, I worked in a variety of different capacities throughout the claims department.

VIEWPOINT: What came next in your career following Allied?

TOM: While at Allied, I noticed a position advertised in the paper for a Property & Casualty Compliance Officer with the State of Iowa, Insurance Division. I did not know what the position entailed, but decided to apply none the less. To my surprise, I was called for an interview with the Division and ultimately was offered the position.

VIEWPOINT: How many years were you at the Insurance Division and what were some of your roles during those years?

TOM: When I began in 2002, my role was to review all Property & Casualty forms that companies were required to file. My job was to ensure that the forms complied with all state laws and regulations regarding insurance policies. I found myself in a corner reading insurance policies all day surrounded by a bunch of actuaries. I will not say it was the most



exciting job of my career, however, I was able to learn a great deal about insurance and how to read and interpret policies. After about two years in this role I was offered a position as Deputy Bureau Chief of Product & Producer Regulation. This position assisted the Bureau Chief to supervise the unit which included Producer licensing and rate and form filings. This was my first position which introduced me to the oversight of licensed agents. Following nearly three years in this role, the Bureau Chief position in the same area opened up and I was offered this position. I was Bureau Chief for approximately five years and then was named Assistant Commissioner which entailed a variety of duties at the discretion of the Commissioner. Throughout my 14 years at the Division, I was fortunate to work under the direction of three excellent insurance commissioners - Terri Vaughan, Susan Voss, and Nick Gerhart.

VIEWPOINT: You have been working in your role with the Big “I” for over a year now. Are you excited about what you have seen during this time?

TOM: During my tenure here at the Big “I”, I have been given the opportunity to get out and meet many of our members either at their office or through one of the many functions we offer throughout the year. I am excited most about the members themselves. The passion and enthusiasm they all share about what it is they do, and the pride they show as members of the association has been extremely impressive and exciting to me.

VIEWPOINT: What are the biggest challenges you see facing the industry today?

TOM: The industry has evolved and changed so much since I began over 23 years ago. The challenge we all face

is trying to keep up with the evolution. Things in the technology world continue to develop and grow at a pace that can be overwhelming. Educating consumers on the need to speak with an independent insurance agent regarding the importance of their insurance needs is often a tough task given the computer and phone applications which provide insurance policies at people’s fingertips. Also, as people’s insurance needs continues to change, we must be prepared to educate ourselves on what it is they need and be able to provide this to them.

VIEWPOINT: From an Association standpoint, what is it you see us working on and assisting members with as we evolve?

TOM: The members need to be informed and kept up to date with changes as they develop. Our communication to the members needs to be on the forefront as changes are made such as in the legislative process. We need to receive their input as changes are discussed and during the decision-making process, not just after changes are made. It is our job to advocate for our members, but also to have our members be part of the entire process.

VIEWPOINT: When you are not working, what do you enjoy doing?

TOM: I enjoy family time. Our son Brett and his wife Stevie have a 6-year-old son, Owen, and a 1 year old daughter, Olive. They keep us very busy along with my four step-children and their kids. It’s safe to say these days, my wife and I are full-time Grandparents outside of work. Outside of that, I enjoy all sports especially Creighton basketball. During the high school football season, you will find me in the press box on Friday nights working the game clock for football games held at Valley Stadium. Also, many of my siblings live close by so rarely there is a weekend that something is not going on.

VIEWPOINT: Do you have any message in conclusion that you would like to let members know?

TOM: I have learned a great deal over the past one year and three months working with Bob. I still have much to learn, but please know that communication is very important to me. Please let us know your needs. The entire staff here at the Big “I” are here for you and will continue to work diligently in an effort to provide you with the support needed to succeed in this business. I do not intend to rest on the laurels and past success of the organization. It is my goal to become the best insurance association in the country. The road is paved for all of us, now we must continue on the journey.



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Dear IIAI Member,

First, let me say thanks for the privilege of representing the business interest of Iowa's Independent agent community for the last 27 years. For over 43 years I have been engaged in the insurance business. After working for two companies, I owned my own agency for 13 years prior to joining the association in 1990. Since then, I have seen significant changes in our business and this trade association, but one thing remained the same – the strong business position independent agents maintain in this state. I like to think that in part the work of this association has contributed to that success.

As I turn over a new leaf in my life by stepping away from my daily work at this association, I am not going away. It would be my hope that in some way I remain involved in the industry I love. You are welcome to call or email me if you have questions or need someone to run an idea by. My cell phone number is 515-669-4654 and for a while my work email address will still be a place you can engage me, bob.skow@iiaiowa.org. I will be teaching the Spring 2017 Errors and Omissions Risk Management Seminars, so maybe we will see each other then.

I want to thank an amazing group of people I have had the pleasure to work with over the years here in our office: Melissa Meiners, Marilyn Paul, Cindy Grim, Brenda Kluger, Megan Kincy and Nicole Peffers. They are truly the ones who day to day work tirelessly on your behalf, and I owe a huge debt of gratitude. I have also been blessed with a fantastic group of agent leaders who have served on our board of directors and our standing committees. The agent leadership has been key to creating a mission focused on the success of independent agents in the State of Iowa. Finally, over the last few months I have had the pleasure of working with Tom O'Meara who will replace me in the position of Chief Executive Officer, and I will assist him in any way I can during this transition. Tom brings a great background from his years of working at the Iowa Insurance Division and before that with Allied Insurance Company. Hopefully you will give him the support you have given me over the years here, I wish him and all of you the best going forward.

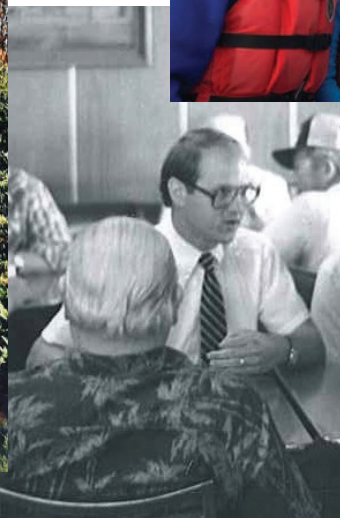
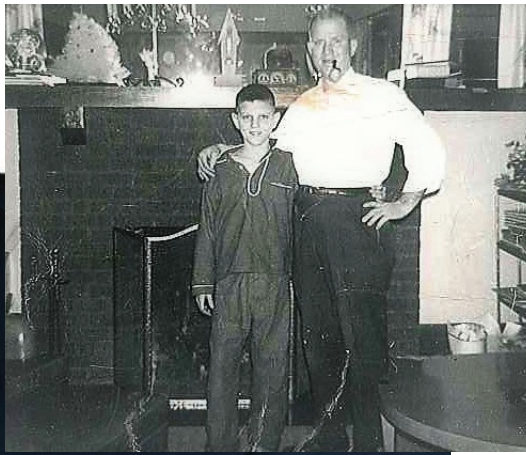
I plan on spending more time with my wife Connie and my family; we now have five grandchildren who I am sure will keep us busy. We really don't have a bucket list of things to do, hopefully we will take a few vacations that are long overdue. But, most of the time I expect you'll find me in rural Dallas County with my dogs and my tractor – you are welcome to look me up. This truly has been a great journey for which I am indebted, a simple thank you in no way expresses my appreciation to all of you...this has been a great ride.

Best Regards,

Bob Skow, CPCU, CAE
Chief Executive Officer




Bob Skow Retires

After 27 years of dedicated services to our Association, 15 years as your CEO, Bob Skow, CPCU, CAE is retiring. His knowledge, leadership and determination to make this the best Association in the country has been unrelenting. We will miss his quick wit, love for insurance and dedication to staff and members. We wish you nothing but the best as you head to your next chapter in life. Congratulations on your retirement.





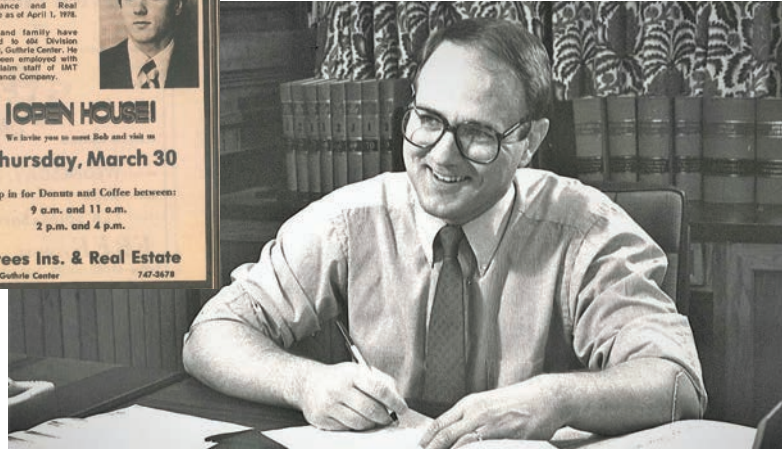
INTRODUCING....



Robert J. Skow
 Robert J. Skow will be associated with Crees Insurance and Real Estate as of April 1, 1998.
 Bob and family have moved to 404 Division Street, Guthrie Center. He has been employed with the claim staff of IMT Insurance Company.

OPEN HOUSE!
 We invite you to meet Bob and visit us
Thursday, March 30
 Stop in for Donuts and Coffee between:
 9 a.m. and 11 a.m.
 2 p.m. and 4 p.m.

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2018 IIAI Live Classroom Education Calendar

Date	Topic	Location	Instructor	Hours (Applied)
January 24 & 25	Rural Agents Conference	Des Moines – Airport Holiday Inn	Various	9
March 22	E&O Seminar	Cedar Falls – Hilton Garden	Skow	6
March 28	E&O Seminar	Storm Lake – Buena Vista Univ.	Skow	
April 24	Commercial Lines Caravan	Mason City – Main Event	Heavener	6
April 25	Commercial Lines Caravan	Storm Lake – Buena Vista Univ.	Heavener	6
April 26	Commercial Lines Caravan	West Des Moines – IIAI Ed. Center	Heavener	6
April 27	Commercial Lines Caravan	Iowa City – Clarion Hotel	Heavener	6
May 2 & 3	Young Agents Conference	West Des Moines – Holiday Inn	Various	
May 9	E&O Seminar	West Des Moines – Sheraton Hotel	Skow	6
May 16	E&O Seminar	Iowa City – Radisson Hotel	Skow	6
June 5	Spring Personal Lines Caravan	Mason City – Main Event Hall	Wilts	6
June 6	Spring Personal Lines Caravan	Storm Lake – Buena Vista Univ.	Wilts	6
June 7	Spring Personal Lines Caravan	West Des Moines – IIAI Ed. Center	Wilts	6
June 8	Spring Personal Lines Caravan	Iowa City – Radisson Hotel	Wilts	6
July 31	Personal Lines Caravan	Cedar Falls – Hilton Garden Inn	Hartzen	6
August 1	Personal Lines Caravan	Storm Lake – Buena Vista Univ.	Hartzen	6
August 2	Personal Lines Caravan	West Des Moines – IIAI Ed. Center	Hartzen	6
August 3	Personal Lines Caravan	Iowa City – Radisson Hotel	Hartzen	6
September 25 & 26	IIAI Annual Convention	Altoona – Prairie Meadows Hotel	Various	
October 9	Fall E&O Seminar	Mason City – Main Event Hall	Heavener	6
October 10	Fall E&O Seminar	Storm Lake – Buena Vista Univ.	Heavener	6
October 11	Fall E&O Seminar	West Des Moines – TBD	Heavener	6
October 12	Fall E&O Seminar	Iowa City – TBD	Heavener	6
October 29	Commercial Lines Caravan	Cedar Falls – Hilton Garden Inn	Messer	6
October 30	Commercial Lines Caravan	Storm Lake – Buena Vista Univ.	Messer	6
November 1	Commercial Lines Caravan	West Des Moines – IIAI Ed. Center	Messer	6
November 2	Commercial Lines Caravan	Iowa City – Radisson Hotel	Messer	6

ALL SEMINARS ARE SUBJECT TO CHANGE. For more information regarding each of these seminars – a brochure will be available 6 - 8 weeks prior to the seminar. You can register online or print off copies of these brochures at www.iiaiowa.org. Any additional questions please contact Cindy, Nicole or Melissa at 515-223-6060 or 800-272-9312.

If you are unable to find a date that will work with your busy schedule, check out our **webinars** at www.iiaiowa.org. These are considered classroom hours.

Reminder – We as the Provider of your Continuing Education Credits have until the 10th of the following month to get your hours downloaded to the State. If you have waited until the last minute to get your hours, we would recommend that you turn in your completion certificate directly to the State so you will be able to renew your license.



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