eREPORTER
Professional Insurance Agents of Connecticut Inc. April 17, 2009

Peerless Insurance and Safeco Insurance meet with PIA

Liberty Mutual Group declared 2008 a "fantastic year," according to Michael Christiansen, CPCU, ARM, president and chief executive officer of Peerless, one of Liberty Mutual's multiple subsidiaries represented at a meeting of PIACT and Professional Insurance Agents of New York State Inc. at PIACT's Glenmont, N.Y. headquarters. Christiansen and other representatives of Peerless and Safeco visited PIA to discuss how the companies and their agents are faring in the wake of recent acquisitions; their perspective of the independent agency system's effectiveness and their strategy to maintain success in 2009 and beyond.

Christiansen was joined by Safeco Personal Lines Northeast Regional General Manager Victor Pepin, CPCU, CIC; Peerless' New York Commercial Lines Regional Vice President Joseph Headd, CPCU, ARM; and Connecticut/Rhode Island Commercial Lines Regional Vice President Paul Chmura in their meeting with PIACT Secretary Augusto Russell, CIC; past President John DiMatteo, CFP, CCPS; PIANY Director Eugene Sandy, CIC; and PIA staff.

Among Liberty Mutual's achievements, Christiansen reported total revenues for 2008 of $28.8 billion and a strong cash flow. "We want to get these numbers out to the agents," he said.

Safeco and Peerless are aligned with the trend. Safeco had the "best year that we've ever had" in 2008, according to Pepin, who reported a combined ratio of 91 percent; a great core book of business; stable employee base; and significant reserves. Peerless reported personal-lines income of $305 million, which exceeded the company's top- and bottom-line expectations. *(Continued on page 4.)*

OFC bill re-introduced in House

H.R. 1880, introduced by Reps. Melissa Bean, D-Ill., and Ed Royce, R-Calif., is the latest bill seeking to establish federal oversight and supervision of the insurance industry. As you may know, the insurance departments of the nation's various states have sole regulatory control of insurers and producers domiciled or resident in their state, as well as the ability to set and enforce standards of conduct for out-of-state insurers and producers. The bill would implement sweeping changes in this established regime. For starters, the bill would establish an Office of National Insurance within the U.S. Treasury Department. This office would be led by a commissioner, appointed by the president for a five-year term.

The ONI would have the power to promulgate regulations, and is specifically required, through regulation, to provide for the creation and chartering of national insurers organized as stock, mutual,

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Have you changed your e-mail address?
Keep your records up-to-date by sending an e-mail to pia@pia.org. **Not receiving e-mails, such as the *PIACT Extra Edition*?** There could be a problem on the receiving end of electronic deliveries. For some common trouble-shooting solutions, logon to the PIA Web site (www.pia.org) and type **QS90384** in the Quick-Link box.

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Association

PIA MarketBase™—finding markets for hard-to-place risks

With no single insurer covering all risks, agents frequently face the daunting task of finding a specialty market. But, you don't have to search blindly—or worse—turn away this business. You can turn to **PIA MarketBase™.**

PIA's MarketBase™ Program, with more than 2,100 risk categories from more than 120 firms, offers association members many avenues to access the information you need to place that difficult-to-place risk. From our online database to our phone-in and e-mail options, PIA MarketBase™ is your source for market leads in the manner that is most convenient for you.

To access PIA's MarketBase™ service logon to www.pia.org, and type **RC10001** in the Quick-Link box or fax PIA's Industry Resource Center at (888) 225-6935. If you have any questions, e-mail PIA's Industry Resource Center at resourcecenter@pia.org and we will be happy to assist you.—*Albright*

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PIACT Industry Resource Center

Homeowners premises liability coverage

Besides biting pets, many kinds of injury or property damage can arise from the premises of a homeowner. You certainly don't have to leave home to get into legal trouble. Someone could fall down the stairs or slip on the porch. A neglected tree could fall on the neighbor's property or fire could spread to an adjoining residence. Injuries could occur in swimming pools and on trampolines. Children could get hurt on playground equipment and leaking underground pipes could damage the neighbor's landscaping.

Policyholders, of course, have protection in their homeowners policies for suits that arise out of accidents on the residence premises. They also have coverage for their activities away from home, as well as contractual liability coverage, employers' liability coverage, fire legal-liability coverage and several other accessory coverages.

Industry Association Excellence Award Winner Resource Center

Through QuickSource document No. **QS90160,** PIA Director of Research Dan Corbin, CPCU, CIC, LUTC, will focus on the premises coverage in the ISO homeowners policies. (Section II—Liability Coverages of the HO-1, HO-2, HO-3, HO-4, HO-6 and HO-8 policies are identical.)

To learn more, logon to www.pia.org and type **QS90160** in the Quick-Link box or fax PIA's Industry Resource Center at (888) 225-6935.—*Albright*

OFC bill re-introduced in House (Continued from page 1.)

reciprocal or fraternal organizations. The office, through the commissioner, also would issue charters for national insurance agencies, organized as corporations, partnerships, limited-liability companies or other state-recognized forms. The charters for insurers and agencies may be line-specific. The bill specifically allows for the conversion of state charters to national charters and vice versa after a review of the application and approval by the commissioner.

In addition to creating a national charter, the bill establishes a framework of supporting offices, including national Divisions of Consumer Affairs, Insurance Fraud and Ombudsman. The bill puts forth, in detail, the methods of operation and organization of these offices. The commissioner is further required to establish standards for national insurers and agencies relating to financial standards, including accounting, auditing, risk management, capital and liquidity and reinsurance. Also, the National Association of Insurance Commissioners' model Unfair Trade Practices Act and Unfair Claims Settlement Practices Act specifically are adopted as governing those areas of concern.

The regulatory scheme contemplated by the bill includes systemic risk regulation flowing from a systemic risk regulator appointed by the president. The purpose of this office is to determine if the activities of, or products offered by, a covered institution would have serious adverse affects on economic conditions or financial stability; and to recommend corrective actions to national and state insurance authorities. This office also has the power to determine if an institution is systemically important and if it should be required to be nationally chartered. In short, this bill can *require* the national chartering of certain insurers. Additionally, a Coordinating Council for Financial Regulators would be formed to serve as a forum for financial regulators (represented by the office of the Secretary of the Treasury, the chairman of the Board of Governors of the Federal Reserve System, the chairman of the Securities and Exchange Commission, etc.) to work together to analyze issues related to oversight of the financial services industry, financial markets and other matters of related concern.

Interestingly, H.R. 1880 states that national insurers doing business in a state are subject to all local taxes, assessments and charges. However, the bill regulates how a state may levy taxes, prohibiting taxes designed to retaliate against an insurer that opts to adopt a national charter, for example. National insurance agents also are subject to all applicable state taxes, to the same degree as state-chartered agents. Similarly, a subsequent section of the bill prohibits states from, in short, restricting national insurers and agencies in the fulfillment of activities authorized under the proposed law.

Producers. The bill addresses licensing by authorizing the commissioner to license individuals as national insurance producers. Such nationally licensed producers may sell, solicit or negotiate insurance in any state for a national or state-chartered insurer; corresponding elements of this plan would include examination of producers and maintenance of a producer database. The bill would require the creation of an electronic database of national producer-related information, accessible by state and national insurers, producers and regulators.

Finally, with regard to guarantee associations, the bill establishes a National Insurance Guarantee Corp., while requiring national insurers to participate in State guarantee funds, so long as the state fund does not tax or treat the national insurer differently than a state-licensed insurer doing business in the state.—*Wallace*

Peerless, Safeco meet with PIA *(Continued from page 1.)*

The company also recalled its purchase of Ohio Casualty and declared victory, as the acquisition resulted in no loss of agents; no loss of books; and resulted in 195 new agents for the Agency Markets business unit. Peerless touts July 2008 as a big accomplishment, marking its re-entrance into the Massachusetts personal-lines market. The legacy Ohio Casualty agent force is primarily located in Connecticut, Massachusetts, New Jersey and New York state, with its highest concentration in southern New Jersey.

With the closing of the Safeco acquisition last September, Liberty Mutual announced plans to use the Safeco brand for all of its Agency Markets personal-lines business in eight regions throughout the United States. During the meeting, PIA leaders asked how agents can expect company mergers and subsequent integration will affect agents. They were told that for commercial lines, Agency Markets will maintain the eight regional company brands in their existing territories, including Peerless in the Northeast. Safeco's regional organization for personal lines will mirror the Agency Markets' existing commercial-lines regions.

Coastal markets? PIA also asked about the groups' coastal strategy in Connecticut and New York state. "This is largely driven by reinsurance costs," Pepin said. "Coastal is one of our biggest risks, and we are dealing with it through underwriting and pricing." He said the company has sought input from its agents and decided to employ hurricane and windstorm deductibles; as well as offering credits for windstorm protection. "We are redefining territories," he said, determining pricing and modeling based on exposure. "We are not going to overreact," but he admitted, "it is a growing concern in the Northeast. Our goal with regard to coastal growth is not to exceed our overall state growth plan [in New York] … we want balanced growth in coastal areas." Pepin noted that Long Island, in particular, is an area of concern because competitors have pulled out of the area, creating increased demand.

Agency distribution system. PIA leaders also asked the company executives to offer insight on how the company perceives its sales distribution force, and if they are seeking to appoint new agents. They were told that in light of the recent company acquisitions, the group does not expect to be making new appointments. Rather, said Pepin, "the ideal model will be fewer agents, bigger volume."

In Connecticut, the Safeco acquisition caused the need to reduce the company's agencies in the state, and seek successful, larger books, holding more personal-lines business. "We are trying to approach reductions in an objective, performance-based way," said Christiansen, but he added "with flexibility; if appeals have come in, we've reconsidered."

PIACT Director Augusto Russell thanked Liberty Mutual for its continued support of the independent agency system, recognizing the company's announcement earlier this year that it will deliver its commercial-insurance products for mid-sized business exclusively through independent agents and brokers. He asked Christiansen and the other company executives to discuss how they feel the company and its agents should position themselves, in light of statistics that show 85 percent of personal-lines business being placed with direct writers.

(Continued on page 5.)

Spring is here, are your clients protected from flood damage? PIACT offers a number of free consumer-related materials, including: **QS90245**—*Flood damage: are you covered?;* and **QS90528**—*Recommend flood insurance to every client—key observations.* To access these documents, logon to PIACT's Web site and type the appropriate QuickSource number in the Quick-Link box. Or, type **RC10027** in the Quick-Link box to access the Flood Insurance tool kit.

PIACT offers direct-mail pieces, which can be personalized with your agency contact information and mailed to your client list for a nominal fee. To view a sample of the flood brochure, see here: www.pia.org/COMM/creative/resources/sample-brochure-floodinsurance.pdf. View a sample of the flood postcard, here: www.pia.org/COMM/creative/resources/sample-postcard-floodinsurance.pdf. For more information, call PIA's Creative Services Department at (800) 424-4244, ext. 282.—*Czupryna*

Peerless, Safeco meet with PIA *(Continued from page 4.)*

Chmura responded that the company recognizes these statistics are "auto driven." If you have assets, you are going to an independent agent. Independent agents control the account market.

Pepin added there's "a lot of upside for agents in terms of growth. Agents enjoy greater loss-ratio over direct writers and offer customers 'one-stop' shopping."

The group reported that Liberty Mutual addressed its need to grow personal-lines business by offering customers access to its products through independent agents. The company still has some direct business, which Christiansen characterized as large commercial accounts, personal-lines affinity groups and some Internet sales.

Forecast: 2009 and beyond. PIA asked how the company is being affected by current economic conditions. Christiansen said it is "on plan for new business," and that they are confident of good underwriting. The company is experiencing exposure-based reductions in their plans, including a mid-term reduction in vehicles. However, Christiansen says he sees the market beginning to change and the company sees opportunity to increase rates, predicting a low single-digit increase by 2010. "We're after rate-to-exposure," he said. "Agents can expect to see an increase in rates for coastal exposure, and overall more pressure to increase rates on homeowners, though the automotive market remains "very competitive."

"Overall, we've carried momentum into 2009," said Christiansen. Though the company expects similar challenges this year as they did last year, "New business is up; we are ahead of plan at this point for the year. We are well positioned and we feel confident. We see growth in policy count, and we're on track with our legacy plan … our score card says we've done well."—*Christiano*

Agency principals tell PIA what they value most

Agency principals consider claims handling the most important yardstick for judging an insurance company, according to the recent PIA ***Company Benchmark Survey.*** The survey presented 35 company performance factors and asked respondents how important they consider each item. PIA designed the survey as part of its on-going ***Company Performance Survey*** project.

The study tested the validity of 16 standard-performance items used in the annual ***Company Performance Survey,*** which gives PIA members the unique opportunity to rate the companies they represent. "We want to be sure that the ***Company Performance Survey*** and its results are effective tools for members assessing insurance companies," said Diane Fowler, executive director of PIACT. "The ***Company Benchmark Survey*** gave our agents the chance to tell us exactly which factors matter the most in their businesses."

Agency principals rated "adjusts claims fairly" and "pays claims promptly" as the two top factors when evaluating an insurer. Surprisingly, the oft-discussed issue of compensation levels was not among the top-10 considerations. "Quality of service clearly overrides the 'profit-only' motive that agents are falsely accused of being driven by," said Jim Pittz, PIACT's business issues director.

Besides the two claims-handling factors, rounding out agents' top-5 lists, in order of importance: communicates clearly, honestly; resolves issues quickly; and underwriter knowledge, experience.

"Making clients whole is the fundamental promise our members sell," said Ellen D. Kiehl, Ph.D., PIACT senior research analyst. "The survey results confirm how much a company's follow-through matters to its agents when there's a claim."

Of 456 people who participated, 355 were agency principals. Others in the agency could describe themselves as sales, service or underwriting staff. Across the board, all staff ranked claims handling highly: Both fairness and promptness made everyone's top priority list.

PIA's 2009 ***Company Performance Survey*** will launch in May in a new format, shaped by the results of the ***Company Benchmark Survey.***—*Cibelli*

Technical

Binding authority concerns

It always is a good time to look at something agents may take for granted: binding authority. When carriers give agents permission to "bind" a specific amount of insurance under the terms of the company rules and requirements. An agent may have different binding authorities with different companies, or products within the company. For example, an agent may have authority to write a personal-umbrella policy with a $1 million limit. Anything greater than this amount must be submitted for an underwriting review. The policy is bound only after the underwriter completes development or due diligence on the account and grants approval.

Never assume that restrictions on binding authority apply only to new business or to a cap on the limits. One important aspect that shouldn't be overlooked is that restrictions also pertain to changes or endorsements to the policy. Just because a policy is on the books does not mean that any changes to the policy are approved automatically. When an agent submits a change to a current policy, it could require additional due diligence or development on the underwriter's part. When this occurs, the underwriter may inform the agent that authority has been suspended until the underwriter approves this risk or change. In this example, the underwriter happened to call the agency and inform them of the suspension of authority.

However, in many cases, a submitted change hits a referral or system flag and it automatically will prompt authority to be suspended without the underwriter contacting the agent. This is where an agent needs to know where authority begins and ends. If an agent submits a change, thinking there is coverage is automatic, and informs the client as such, there could be problem if authority is suspended and coverage isn't in place. Meanwhile, the insured is going about his or her business under the impression that coverage exists.

From an errors and omissions standpoint, agents need to understand their binding authorities and when restrictions may be initiated. They should contact their carriers and see if they have written documentation on the agents' specific authority. When the information is gathered, create a reference guide for the agency representatives or producers that spells out exactly what is in place. This guide will ensure that everyone knows what is covered, and more important, when it is covered.

Remember, binding authorities are agreements between carriers and individual agents. They are not standard guidelines or required filings for the carriers in their respective states.—*Pittz*

Want to share, barter or exchange with other PIA agencies? ***Think PIA first.*** Logon to the PIA community message boards at www.pia.org/forums/.—*Czupryna*

State

Exception to "coming-and-going" rule upheld

The Compensation Review Board of the Workers' Compensation Commission affirmed the trial commissioner's decision in a case involving the "coming-and-going" rule (see *King v. State of Connecticut Department of Correction*). The claimant, a parole officer, was injured while operating a state-owned motor vehicle. At the time of his injury, the claimant was "off the clock," but asserted that he was performing a task incidental to his employment while on his way home from work. The commissioner concluded that jurisdiction existed over the accident because each of the following four exceptions to the "coming-and-going" rule were satisfied:
1.) the claimant's job required highway travel;
2.) the employer provided the means and mode of transportation by providing the claimant a state car;
3.) the claimant was subject to emergency calls while off duty; and 4) the claimant was injured on the highway while doing something incidental to his job and that service or activity benefited the employer.—*Renzi, Wallace*

Company

Zurich to buy AIG U.S. unit for $1.9 billion

- **AIG** said it will sell its car insurance unit, **21st Century Insurance,** to **Zurich Financial Services Group** for $1.9 billion. The transaction is the largest divestiture by AIG since the company received financial support from the U.S. government in September 2008.

  Under terms of the agreement, Zurich's Los Angeles-based insurer **Farmers Group** will pay $1.5 billion in cash and $400 million in subordinated, euro-dominated capital notes backed by Zurich Insurance Co. Farmers also will assume 21st Century's outstanding debt of $100 million. To increase the capital at Farmers, Zurich is expected to raise $1.1 billion in a stock offering to institutional investors.

  21st Century, based in Wilmington, Del., includes the former AIG Direct business and Agency Auto business. The company operates in 49 states and Washington, D.C. In 2008, 21st Century reported total premiums of $3.6 billion, including $2.7 billion in direct sales and $900 million through independent agents.

  Zurich has been seeking to grow its U.S. auto insurance business because it is a stable one that can balance out other, more volatile business lines, according to Zurich Chief Executive James Schiro. He said it has long been a strategic goal of Farmers to expand its U.S. personal lines.

  While Farmers Group already has an extensive network of agents, 21st Century focuses on selling direct to consumers via telephone and the Internet.

  The transaction excludes AIG's Private Client Group, which provides property/casualty insurance to high net-worth individuals.

- **Munich Re** said it completed the acquisition of **HSB Group,** including Hartford Steam Boiler Inspection and Insurance Co., for $739 million in a deal that executives promised would not result in layoffs. According to officials of Munich Re, Connecticut insurance regulators were told at a recent public hearing that Munich Re has no plans to move HSB out of Hartford or to cut jobs as a result of the acquisition—HSB has 402 employees in Connecticut.

- **The Progressive Corp.** said its first-quarter net income fell to $232.5 million, or 35 cents a share, from $239.4 million, or 35 cents a share, in the year-earlier period. Analysts had forecast earnings of 42 cents a share, on average.

- **ACE Private Risk Services,** part of the ACE Group of Cos., unveiled a new homeowners policy designed to meet the needs of high net-worth customers. The new policy, which will be offered through independent agents and brokers, allows families with substantial assets to tailor coverage to their specific needs.—*Czupryna, Renzi*

Regional

PIA continues to discuss producer compensation in New York

After submitting a formal response to the New York State Insurance Department outlining its fundamental objections to the NYSID's initial draft regulation requiring certain disclosures to be made by insurance producers, as well as outlining particular issues of concern to independent producers, the Professional Insurance Agents of New York State Inc., continues to interface with the department in an endeavor to serve its members most effectively.

PIANY had been told during private meetings with the department, as well as during its participation in four working-group meetings, that an amended draft should be expected. The NYSID's second draft is expected shortly. PIA hopes the revised version will recognize and eliminate the burdens on producers.

PIANY will continue to coordinate industry-wide responses and report developments on this issue as they occur, and PIACT will continue to keep members up to date on changes.—*Guilbault*

PIACT calendar of events

April

- April 22—Stratford
  CISR IC: Insuring Commercial Casualty Exposures
  CTCE: PC 7, LRE 1
- April 28—Meriden
  CPIA 2: Implement for Success
  CTCE: LH 2, PC 5

May

- May 5—Meriden
  Ethics
  CTCE: LRE 3
- May 13-16—Cromwell
  CIC Personal Lines Institute
  CTCE: PC 20
- May 15—Your office
  PIA Lunch and Learn: Additional Insured Endorsements
  CTCE: N/A
- May 19—Your office
  PIA Lunch and Learn: Marketing in a weak economy
  CTCE: N/A
- May 19—Meriden
  CISR PA: Insuring Personal Auto Exposures
  CTCE: PC 8
- May 20—Southbury
  CISR PA: Insuring Personal Auto Exposures
  CTCE: PC 8
- May 28—Your office
  PIA Lunch and Learn: Home-based businesses
  CTCE: N/A

Think PIA first

June

- June 10—Southbury
  CISR AO: Agency Operations^FF^UM
  CTCE: 5 PC/3 LRE or 5 LH/3 LRE

^FF—This course has been approved for E&O loss prevention credit by Fireman's Fund.

^UM—This course has been approved for E&O loss prevention credit by Utica Mutual.

Call the PIA E&O Department for details at (800) 424-4244.

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