Main Street Industry News

INSIDE

Carriers and Independent Agents
PIA National President Andrew Harris »10

ObamaCare — The Exchanges »14

Spending More on Phones than Food? »18

Robert W. Hansen

Installed as National Officer of National Association of Professional Insurance Agents

»7

PIA NEBRASKA IOWA | Local Agents Serving Main Street America℠

October 2012 | Published Monthly

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Did you know?

<u>Did you know</u> that PIA is committed to helping PIA members understand and master the latest marketing trends?

PIA recently published the 2nd annual PIA National Agency Marketing Guide. This series of guides contains hands-on marketing advice from some of the insurance industry's premier experts as well as experts from outside our industry.

The ***2011 PIA National Agency Marketing Guide*** focuses on how agents can market their services using the Internet. It provides guidance for agents who want their agencies to be better positioned on search engines such as Google as well as agents who want to make their websites more sales focused. Readers will learn how to more effectively use mobile devices, cultivate leads and build their brand by providing insureds and prospects with useful content.

The inaugural ***PIA National Agency Marketing Guide***, published in 2010, contained a soup-tonuts guide on how independent insurance agents can use social media to support their agency's sales strategy.

PIA members receive print copies of the PIA National Agency Marketing Guide and can access them online at **<u>www.PIAAgencyMarketingGuide.com</u>**.

Not a PIA member yet? Let us help your agency shine online. Contact us for a membership application or visit us at **<u>www.pianet.com/AboutUs/JoinPia</u>**.

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Contents

TOP STORIES

Robert W. Hansen Installed as National Officer of National Association of Professional Insurance Agents | 7
Robert W. Hansen, Jr., CPIA, LUTCF, of Omaha was installed as Secretary/Assistant Treasurer of the of the National Association of Professional Insurance Agents (PIA) during PIA's national Board of Directors meeting held September 23, 2012 in Baltimore, Maryland.

The First Six Months of 2012 — Profitable | 8
Good news. The first six months of 2012 is the first six months in a long time that the industry could call "profitable" in every sense of the word.

Carriers & Independent Agents — PIA National President Andrew Harris | 10
Newly inaugurated PIA National President Andrew Harris is on a mission.

Six Months of Rising Rates — Is it a Hard Market? | 11
The ISO and Property Casualty Insurers of America (PCI) released a report last week saying we've seen price increases and a turning market for the first six months of 2012.

PIA National — Helping You Grow Business | 12
PIA National asks: would you like to make personal lines a bigger part of your agency's book of business?

AIG & Systemically Significant Financial Firms | 13
The Financial Stability Oversight Council (FSOC) has begun the process of deciding which non-bank financial firms will be called "systemically significant."

Winter Storms — Getting Names? | 13
Remember the controversy when the National Weather Service — or was it the National Hurricane Center — began naming hurricanes and tropical storms after guys as well as women? It didn't set well with some.

ObamaCare — The Exchanges | 14
Before digging deeper into this week's report on the Patient Protection and Affordable Care Act, we did learn one very interesting fact at last week's presidential debate between President Barack Obama and Mitt Romney.

Health Care Costs — Increases Decrease; So do Doctor Visits | 15
Aon Hewitt did a study of health insurance premium rates and found 2012 had the lowest rate increases in six years.

7.8% — Unemployment's Ups & Downs and Ins & Outs | 16
Last week the U.S. Bureau of Labor Statistics released the September job figures. It also revised August and July because in the last report in August, it underestimated July and August the year before by 386,000.

JUST FOR FUN

Spending More on Phones than Food? | 18
The headline is true. And it's not just more being spent on phones than food, it's a lot, lot more.

CALENDAR OF EVENTS

Upcoming Events Calendar 2012 | 20

ADVERTISEMENTS

Wanted, For Sale and Opportunities | 20
Contact us to place a classified ad.

Main Street INDUSTRY NEWS

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Robert W. Hansen

Installed as National Officer of *National Association of Professional Insurance Agents*

Robert W. Hansen, Jr., CPIA, LUTCF, of Omaha was installed as Secretary/Assistant Treasurer of the of the National Association of Professional Insurance Agents (PIA) during PIA's national Board of Directors meeting held September 23, 2012 in Baltimore, Maryland.

Hansen, an agent with NP Dodge Insurance of Omaha, is a PIA National Director representing Nebraska & Iowa. He was president of PIA of Nebraska & Iowa in 2006-2007 and was honored as PIA of Nebraska & Iowa Agent of the Year for 2009-2010.

At PIA National, he serves as vice chair of the Government Affairs Committee, a member of the Finance and Budget Committee, a board member of the Professional Insurance Agents Political Action Committee (PIAPAC) and he has also served as board representative to The PIA Partnership.

In 2009, Hansen spearheaded a successful effort to convince the national directors of PIA to elevate the association's involvement in crop insurance issues by creating the PIA National Crop Insurance Working Group.

"This is an example of Rob's leadership at both the state and national levels of PIA," said PIA of Nebraska & Iowa Executive Director Cathy Klasi. *"We congratulate him on his most recent achievement and look forward to his advancement to ever higher levels of responsibility in the future."*

Hansen joins four other national PIA leaders on the Executive Committee: Andrew C. Harris, CIC, CPCU, CRM, ARM, AIS, of Millstone Township, New Jersey becomes President; John G. Lee, CIC, CPIA, LUTCF, of Fredericksburg, Virginia becomes President-elect; Richard A. Clements, CIC, of Chalmette, Louisiana becomes Vice President/Treasurer; and Thomas C. Adderhold, CIC, of Duluth, Georgia becomes Immediate Past President. ■

The First Six Months of 2012 Profitable

Good news. The first six months of 2012 is the first six months in a long time that the industry could call "profitable" in every sense of the word. A new report analyzing results from January of 2012 to the end of June 2012 from ISO — a Verisk Analytics company — and the Property Casualty Insurers Association of America (PCI) said net income after taxes leaped $16.4 billion.

The first six months of 2011 saw profits of just $4.8 billion.

The difference is significant and the annualized rate of return on average policyholders' surplus is 5.9% — up from 1.7% in 2011. Pretax operating income — the total of net gains or losses on underwriting, net investment income and miscellaneous income — jumped to $18.4 billion from $1.3 billion in the first half of last year.

Increases were driven by underwriting improvement. Net losses on underwriting fell $7 billion in the first half of the year from $24.1 billion in 2011. The combined ratio saw improvement, too. It's 102.2 — down from 110.5.

Underwriting is the key to the good report. The ISO/PCI report said a large drop in net losses and loss adjustment expenses is the driver. The net LLAE from catastrophes in the first half of 2012 is $12.6 billion. That's down from $25.7 billion in the first half of 2011.

Miscellaneous income also contributed to the rise. It went up to $1.7 billion from $0.6 billion in 2011.

There were negatives in the report. A drop in net investment income was seen and insurers paid more in taxes the first half of the year than the first half of last. Net investment gains fell $3 billion to $25.3 billion compared to $28.4 billion in the same period in 2011. Federal and foreign taxes jumped to $3.6 billion from $0.1 billion.

Policyholders' surplus — the net worth of an insurer — grew to $567.9 billion. That's up $17.5 billion.

PCI Senior Vice President for Policy Development and Research Robert Gordon said, "The $17.5 billion increase in policyholders' surplus to a near-record-high $567.8 billion at June 30, 2012, is a testament to the strength and safety of insurers' commitment to policyholders. Despite challenging economic conditions, insurers are strong, well capitalized, and well prepared to pay future claims. Policyholders and regulators can rely on the insurance industry to fulfill its obligations when catastrophes strike."

ISO's Michael Murray — its assistant vice president for financial analysis — was also pleased. He said the results are good compared to 2011 but better underwriting results are still needed. "Insurers' 5.9 percent annualized rate of return on average surplus for first-half 2012 fell short of insurers' 9 percent average overall rate of return for the 53 years from the start of ISO's annual data in 1959 to 2011, even though the 102.2 percent combined ratio for first-half 2012 was 1.8 percentage points better than the 104 percent average combined ratio for the past 53 years. With investment yields, financial leverage, and tax rates like those in first-half 2012, ISO estimates that the combined ratio would have to improve almost 5 percentage points to 97.4 percent in order for insurers to earn their long-term average rate of return."

Dragging the industry numbers down was negative rates of return for mortgage and financial guaranty insurers and the single rate of return figures for all others. And even then the negative numbers for the former improved from negative 7.6% from an abysmal 26.1% in the first half of 2011.

Also, when you leave out mortgage and financial guaranty insurers, net written premium went up 3.8% to $224.4 billion. Net earned premiums increased 3.2% to $216.1 billion. "First-half written premiums haven't grown this rapidly since 2004, when first-half written premiums rose 5 percent compared with their level a year earlier. Excluding mortgage and financial guaranty insurers, net written premium growth for insurers writing predominantly commercial lines accelerated the most, rising to 5.6 percent in first-half 2012 from 2.8 percent in first-half 2011. Net written premium growth for insurers writing mostly personal lines rose to 2.9 percent in first-half 2012 from 2.7 percent in first-half 2011, as premium growth for insurers writing more balanced books of business increased to 3 percent from 2.3 percent," Murray said.

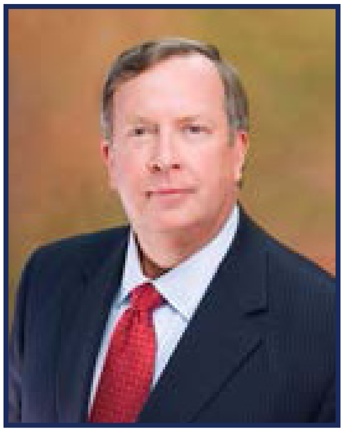
Gordon said commercial lines and personal lines combined ratios also plummeted.

"Excluding mortgage and financial guaranty insurers, commercial lines insurers' combined ratio dropped 8.5 percentage points to 98.8 percent, as balanced insurers' combined ratio improved by 8.7 percentage points to 103.4 percent and personal lines insurers' combined ratio fell 7.8 percentage points to 101.5 percent," he said.

Gordon also pointed out insurers' net investment numbers from stock dividends and bond interest are down 4.4%. In the first half of 2011 that income was $24.8 billion. For the first six-months of 2012 it hit $23.7 billion. "The decline in insurers' investment income in first-half 2012 was driven by a drop in the yield on insurers' cash and invested assets. As market interest rates declined, the yield on insurers' average cash and invested assets dropped from 3.8 percent in first-half 2011 to 3.6 percent in first-half 2012. In addition, insurers' average holdings of cash and invested assets declined 0.1 percent from first-half 2011 to first-half 2012." ■

Carriers and Independent Agents

PIA National President Andrew Harris



Newly inaugurated ***PIA National President Andrew Harris*** is on a mission. In his first formal address as the association president, Harris — CIC, CPCU, CRM, ARM, AIS, of Colts Neck, New Jersey — wrote an editorial for a recent issue of ***PIA Connection***. In his comments Harris praised the association's carrier partners and highlighted the symbiotic relationship between carriers and agents and agencies.

"First, the business relationship between the agency and the carrier is one designed to be of mutual benefit. Second, revenue generated from this relationship goes to both parties. Finally, this business arrangement allows both participants to accomplish together what they cannot without each other," he wrote.

He noted that independent insurance agents are the backbone of the nation's carriers. "The success of the company and the agencies that form a company's sales force are inextricably linked. When agents succeed so do their carrier partners, because we're in this together," he wrote.

But there is trouble in paradise. "For the past several years, the insurance business has not been immune from the financial pressures affecting our entire economy. Profit margins have been squeezed everywhere — not just by stresses in our industry, but also due to general economic conditions."

The current economy has been especially hard on independent agencies and agents. "Agencies have been hit by a perfect storm of falling rates, sustained economic depression of exposures, and searing competition. Taken separately, we can do fine. Put all these together, and run this for five years and you can weaken even the best run agencies. And in tough economic times, anything that weakens the agent will also weaken the carrier," Harris wrote.

Harris called on carriers to support independent agencies directly and indirectly. "Many carriers are offering increased compensation for lines of business where it makes sense for them to do so. Others have tried to promote growth. Some unfortunately are reducing compensation to 'share the burden' of catastrophe losses."

This "disincentive" to agents makes no sense to Harris. "Maintaining or increasing incentives for a sales force is a good way to increase sales in a down market. This is especially important as agents incur additional costs in automating systems, integrating social media and enhancing web portals."

He noted that PIA National has always — and continues to — pushed communication between the association, its members and carriers. "I urge those carriers who are supporting their business partners to continue to do so, and implore those that are looking to share the burden to look closely at the financial health of their sole distribution system. A weak sales force will yield weak results, just when our distribution channel needs to grow most!" ■

Six Months of Rising Rates
Is it a Hard Market?

The ISO and Property Casualty Insurers of America (PCI) released a report last week saying we've seen price increases and a turning market for the first six months of 2012. The overall results are way up over the same time period in 2011.

But are we in a hard market?

A panel of insurance experts at the Council of Insurance Agents and Brokers (CIAB) Insurance Leadership Forum last week thinks not. Looking at commercial rates, the panel thinks we'll see continued rising prices but it's not a hard market.

On the forum's panel were Charles Dangelo, CEO of Starr Indemnity & Liability, John Rumpler, CEO of North American operations for QBE Insurance Group and Lori Dickerson Fouche of California's Fireman's Fund Insurance.

Dangelo said the increases we're seeing are regional. Some regions continue to see rate drops. Others rate increases or break even rates. Dangelo said with too much capacity left, it's unclear what rates will do in 2013. "There's still some good competition going on for some … but try and place some general liability insurance for a contractor in New York City. It's a hard market down there; it's very, very tough."

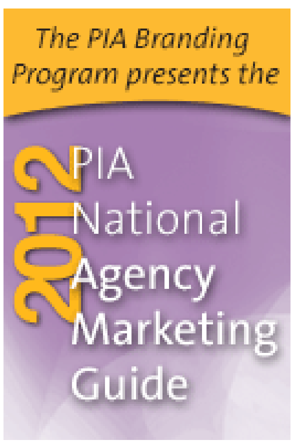
Rumpler added, "Is it a hard market? It is in some lines of business, in some segments, in some geographies. It's spotty. It's variable. It's at least positive. Intellectually, it ought to continue for some time, but not everything and everybody behaves intellectually."

Fouche is very concerned with the capacity available in all lines of insurance. "When you look at just the surplus that's left in the industry right now, the surplus and the economic conditions act as a cap to seeing the kind of hard markets that we've seen in the past." ■

PIA NATIONAL

Helping You Grow Business

PIA National asks: would you like to make personal lines a bigger part of your agency's book of business? Does the thought of a more recession-proof stream of commissions sound enticing? Would you like to take personal lines back from the direct writers?



If so, you'll benefit from the ***2012 PIA National Agency Marketing Guide***.

In it, Steve Anderson, Alan Shulman, John Macdonald and others make the case for including personal lines prominently in your agency and help agency owners better understand how they can do so in a way that is profitable.

The ***2012 Agency Marketing Guide*** was recently mailed to all PIA members along with the current issue of ***PIA Connection*** magazine. PIA members may also read it online at www.PIAAgencyMarketingGuide.com.

The ***2012 Agency Marketing Guide*** is the third publication in an annual series published through the PIA Branding Program. Through this program — available online at www.PIABrandingProgram.com — PIA provides members of the association with a variety of marketing materials. These include print and radio ads in both English and Spanish as well as our new partnership with internet marketing firm Agoragate (pronounced "AGRA gate").

The ***2012 Agency Marketing Guide*** follows two previous editions. The 2011 publication included an ***Agents' Guide to Internet Marketing*** and the 2010 publication featured the ***Agents' Guide to Social Media***. All three editions of the ***Agency Marketing Guide*** are available online at www.PIAAgencyMarketingGuide.com.

PIA National would like to extend a special thank you to the sponsors of the ***2012 PIA National Agency Marketing Guide***: Agoragate, Astonish, Bankers Insurance Group and ***Rough Notes***. ■

NATIONAL ASSOCIATION OF PROFESSIONAL INSURANCE AGENTS
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AIG & Systemically Significant Financial Firms

The Financial Stability Oversight Council (FSOC) has begun the process of deciding which non-bank financial firms will be called "systemically significant." These are firms whose collapse could create major havoc on the U.S. economy.

A further definition: what AIG's near collapse and the serious troubles of the nation's banks did to the economy and how they nearly toppled the entire economy.

FSOC members are from the Federal Reserve, the Securities and Exchange Commission, the Consumer Financial Protection Bureau and the Comptroller of the Currency. The committee is headed by the U.S. Treasury Secretary.

Though nothing is "official," a spokesman from the U.S. Treasury said several firms have been picked already and are being considered as systemically dangerous by the FSOC. The process is expected to take about six months. The committee said it will not announce the names of the companies until it notifies the company.

Expected to be on the list are AIG, MetLife, Prudential and General Electric. ■

Winter Storms — Getting Names?

Remember the controversy when the National Weather Service — or was it the National Hurricane Center — began naming hurricanes and tropical storms after guys as well as women? It didn't set well with some. Others found it a good thing.

We eventually got over it, moved on and now hurricanes and tropical storms have male and female names.

The Weather Channel

Here's a new one. ***The Weather Channel*** said it is going to start naming blizzards. In its news release on the matter, the channel said: "During the winter months, many people are impacted by freezing temperatures, flooding and power outages, travel disruptions and other impacts caused by snow and ice storms. The new naming system will raise awareness and reduce the risks, danger, and confusion for consumers in the storms' paths."

Already 26 names have been picked and like tropical storms and hurricanes, there is one for each letter of the alphabet. A name will be given to a storm once it is determined a storm system will have a significant impact on an area with a large population.

Okay, you can have the names. Now if the channel — and other weather people around the nation — could just focus on doing a better job of ***predicting*** the weather. ■

OBAMACARE *The Exchanges*

Before digging deeper into this week's report on the Patient Protection and Affordable Care Act, we did learn one very interesting fact at last week's presidential debate between President Barack Obama and Mitt Romney. The president — it seems — is fond of the term ObamaCare.

Whether you love the term or not, ObamaCare — or the Patient Protection and Affordable Care Act — continues to be enacted. With less than two months to go before states must submit health insurance exchange plans, more states are opting to let the federal government set up an exchange rather than create their own.

A.M. Best reports those decisions come amid congressional complaints that the U.S. Department of Health and Human Services has not provided enough detail about what the exchanges should look like.

South Dakota Gov. Dennis Daugaard — a Republican — last week said his state would allow the federal government to fund and operate its exchange directly. South Dakota joins seven other states that made similar decisions.

Under the law, exchanges must go live by 2014. The Affordable Care Act requires each state to have an online system that outlines health insurance options for consumers and lets them compare prices and coverage options based on a standard benchmark. The ACA gives states three options for how exchanges may be established:

- States can develop their own system and run it themselves.

- States can partner with the federal government and share responsibility for the exchange — or —

- States can decide to take a hands-off approach and let the federal government run the exchange.

By November 16th, states must submit to HHS a detailed plan for how their exchange will operate and how it will be funded — a deadline just 10 days after the Nov. 6 election.

Health Insurance Exchanges: Long on Options; Short on Time is a report from PwC's Health Research Institute. It says 12 states and the District of Columbia will run their own exchanges. The majority of the 37 states left over will have the federal government run the exchange. Just eight have chose to partner with the feds.

PwC's kelly Barnes said, "Newly-created exchanges represent the biggest insurance expansion since Medicare in 1965. The exchanges will serve a group of people who may be purchasing insurance for the first time. Companies seeking to capture this new customer base must work quickly to understand the distinct needs of this group and develop ways to communicate with them in clear, understandable terms."

Once the exchanges begin operation how health care insurance is offered in the U.S. will radically change. Insurers could see a $205 billion leap in income by 2021.

The report notes 12 million of us will start enrolling in the exchanges next year and by 2021 the figure will increase dramatically:

- 30 million of those registering will be under the age 65.
- 33% will get their insurance through Medicaid.
- 45% will get their insurance via a state exchange.

Breaking it down a little more:

- The median age of those shopping the exchanges will be 33.
- Of those, 88% do not have a college degree.
- Just 42% are employed full time.
- A staggering 30% say English is a second language.
- The median income will be $38,263 for a family of four — or 166% of the federal poverty level. ■

Health Care Costs

Increases Decrease; So do Doctor Visits

Aon Hewitt did a study of health insurance premium rates and found 2012 had the lowest rate increases in six years. President Obama pointed that out in his debate last week with Republican challenger Mitt Romney.

The Aon report said the average hike for large employers in 2012 was 4.9%. That's down from 8.5% in 2011 and 6.2% in 2012. That's the good news. The bad news is rates may be rising 6.3% in 2013.

More bad news. The average cost per employee hit $10,522 — up from $10,034 in 2011. Employees also paid more for that insurance and averaged $2,204 compared to $2,090 in 2011.

The 2013 costs are expected to go up to $11,188 and employees will contribute an average of 21% for their total health care premium.

That leads to more bad news. Employee contributions and out-of-pocket costs are up 50% since 2008. They were $3,199 that year and will be $4,814 in 2013.

The U.S. Census Bureau said we are seeing less of our doctors and health care providers these days. In 2010 the average working adult made a visit 3.9 times a year. That figure in 2001 was 4.8. Younger people are less likely to go to the doctor than older people. ■

7.8%

Unemployment's Ups & Downs and Ins & Outs

Last week the U.S. Bureau of Labor Statistics released the September job figures. It also revised August and July because in the last report in August, it underestimated July and August the year before by 386,000. The new unemployment rate is below 8% for the first time in eons.

It's now a not-so-whopping — but better than it was in August — 7.8%.

That's created cheering on one side of the political aisle and skepticism on the other. Total employment rose by 873,000. That explains the rate drop. On the other hand, just 114,000 new jobs were created, way below what economists say the economy needs to really recover.

Right out of the shoot some administration critics cried "fix." This in light of the agreed upon thrashing of President Obama by challenger Mitt Romney in the presidential debate two nights earlier. Criticism is that the administration needed a victory and the Department of Labor Statistics gave them one.

Romney reacted immediately. While not going the fixing the numbers route, the presidential challenger said, "This is not what a real recovery looks like. We created fewer jobs in September than in August, and fewer jobs in August than in July, and we've lost over 600,000 manufacturing jobs since President Obama took office. If not for all the people who have simply dropped out of the labor force, the real unemployment rate would be closer to 11 percent."

The administration had a different interpretation. Labor Secretary Hilda Solis was insulted by accusations of numbers rigging. "I'm insulted when I hear that, because we have a very professional civil service organization where you have top, top economists. These are our best trained and best skilled individuals working at the BLS. It's really ludicrous to hear that kind of statement."

At the White House Josh Earnest called the claims utter nonsense. "Any serious person who has any familiarity with how these numbers are tabulated understands that these are career employees at the Bureau of Labor Statistics that are responsible for compiling and analyzing these numbers, and they do that on their own."

That said, the rise in employment — it turns out — comes from a jump in part-time work. Of the 873,000 getting jobs last month, 600,000 were part-time. And it's safe to say most of those getting the part-time jobs would likely prefer something full-time.

By the way, the Bureau of Labor Statistics refers to the part-time employees as "marginally attached." The underemployment rate — which includes those part-timers — is 14.7% and that's just a "marginal" improvement from the numbers we saw in May.

One sector continues to do very well. The government sector unemployment rate is plummeting. It was 5.7% in July and 5.1% in August. September's numbers were 4.3%. The increase is in both state and federal worker numbers.

Since July the administration has added 10,000 workers to the federal payroll and in July there were 2.81 million civilian workers. The September numbers are 2.814 million.

The states have added 17,000 new workers in the last three months. State governments in July had 5.052 million employees. September's numbers are 5.069 million.

One last interesting unemployment statistic and an employment stat. Of the millions receiving unemployment insurance in 2009, there were close to 2,400 of them living in households with annual incomes of $1 million or more.

That stat comes from the Congressional Research Service.

Research released by the U.S. Census Bureau says 13.4 million people — or 9.5% of all U.S. workers — worked from home in 2010. That's up from 9.5 million — or 7% — of all workers in 1999.

A quarter of them are in management, business or financial work and close to half are self employed. The most home-based workers are in the West, Southwest and Southeast.

Boulder, Colorado had the highest percentage at 10.9%. ■

Spending More on Phones than Food?

The headline is true. And it's not just more being spent on phones than food, it's a lot, lot more. In 2011 the average household annual spending on telephone services rose to $1,226.

In 2007 it was $1,110.

Hint. In 2007 Apple's iPhone hit. And hit big. The U.S. Department of Labor tracks statistics like this and says we spent 4% more on phones last year than we did the year before. It's the biggest jump since 2005.

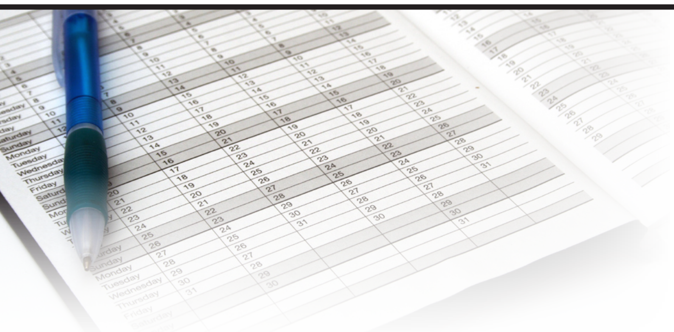
If your family has more than one smartphone you're likely paying — along with cable TV and Internet access — $4,000 a year. To give you a comparison. Total expenditures on other household necessities rose just $67 in the same time period.

Here's where we're cutting to afford our phones:

Eating outside the home
Down $48

Clothing
Down $141

Entertainment
Down $126



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Start Date	Class	Type	Location
October 24, 2012	CISR	Agency Operations	Des Moines, IA
October 25, 2012	CISR	Insuring Commercial Casualty	Cedar Rapids/Marion, IA
November 7, 2012	CISR	Insuring Personal Residential	Davenport, IA
November 8, 2012	CISR	Commercial Property	Des Moines, IA
November 8, 2012	CPSR	Residential Property	NE
November 13, 2012	CISR	Dynamics of Service	Des Moines, IA
November 14 -16, 2012	CIC	Personal Lines Institute	Des Moines, IA
December 6, 2012		Greater Omaha Committee Christmas Party	Omaha, NE

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