# Main Street
## INDUSTRY NEWS

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By: Andrew J. Worthington, CPA

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# Did you know?

1. **<u>Did you know</u>** that agents' contingent commissions are once again being criticized? After some mega-brokers were barred from receiving contingent commissions because of alleged bid-rigging activities in 2004, some are saying such compensation poses a conflict of interest and should be eliminated industry wide. Since this became an issue in 2004, PIA has worked with regulators and fought — in the press and in court — for the right of carriers to reward their independent agent producers with common sense compensation, including contingent commissions, that is legal, ethical and transparent.

2. **<u>Did you know</u>** that PIA is working to ensure that independent insurance agents continue to have an important role in the sale of health insurance — and are fairly compensated — even after the health insurance exchanges mandated by recent legislation are created?

3. **<u>Did you know</u>** that PIA initiated a grassroots campaign to oppose the cap on crop insurance agents' commissions that the USDA proposed earlier this year?

Independent insurance agents' compensation is under fire. Thankfully, independent agents have PIA looking out for them. We fight for member agents so they can continue to operate their businesses profitably today <u>and</u> tomorrow. By joining PIA you help ensure your future. **Please consider joining PIA today.** Contact us for a membership application or visit us online at **www.pianet.com/AboutUs/joinpia**.

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Local Agents Serving Main Street America™

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## TOP STORIES

# Main Street INDUSTRY NEWS

## PIA FOR NEBRASKA AND IOWA

PIA Association for Nebraska and Iowa is committed to focusing its resources in ways that cast the most favorable light on its constituents. We are dedicated to providing the type of programs, the level of advocacy, and the dissemination of information that best supports the perpetuation and prosperity of our members. We pledge to always conduct ourselves in a manner that enhances the public image of PIA and adds real value to our members.

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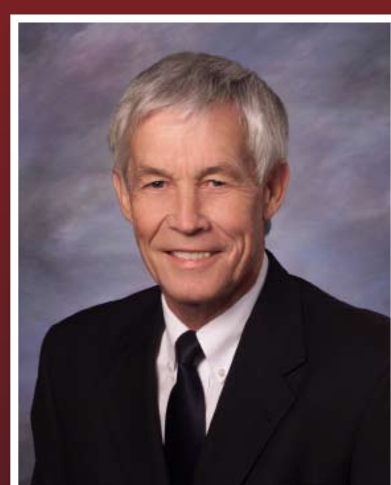

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# Tax Filing Season


*January 2012 Newsletter Tax Article*
*By: Andrew J. Worthington, CPA*

As the tax filing season approaches, now is the time to start double checking your opportunities for extra deductions and credits. I have included a list of business tax strategies to help you get the most out of your taxes for 2011.

## Depreciation

**Bonus Depreciation** – This deduction allows for 100% of the cost of new property purchased and placed into service in 2011 to be written off in 2011. There are no restrictions on the amount of qualifying property that can be placed into service. In addition, there is no taxable income limitation, so deductions in excess of taxable income can create a loss for tax purposes.

**Section 179** – A $500,000 expensing election limit applies to qualifying property purchased and placed in service in 2011. This will allow businesses to receive an immediate tax deduction for the cost of this equipment, which is not required to be new. If a company purchases more than $2 million of qualifying property in 2011, this deduction will be reduced dollar for dollar for the excess purchases.

## Health insurance tax credit

If your business has fewer than 25 employees and average annual wages of less than $50,000, you may be eligible for a credit of up to 35 percent of nonelective contributions you make on behalf of your employees for medical insurance premiums. The credit varies greatly based upon the number of employees and average compensation. In addition, owners' wages and health insurance expenses are excluded from the calculation.

## Business retirement plans

Maintaining a retirement plan for your business can have considerable advantages. Not only is it an added benefit for employees but employer contributions to the plan are tax deductible. In addition, a $500-per-year tax credit is available for the first three years of many retirement plans to help offset the initial setup costs.

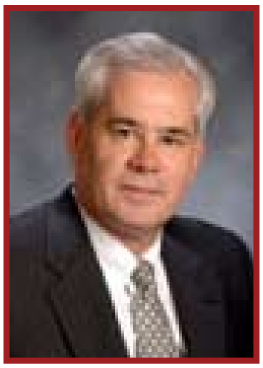
## Credit for hiring new employees

Companies that hire workers of certain target groups, such as disabled veterans and food stamp recipients can claim a credit of up to 40 percent of the first $6,000 in wages paid to each such employee. Pre-certification of these employees is required.

Make sure to consult with your tax advisor with any specific questions on your situation. ■

# Is your agency "ALL IN" from an E&O perspective?

*By Curtis M. Pearsall, CPCU, AIAF, CPIA*
*President – Pearsall Associates Inc. and Special Consultant to the Utica National E&O Program*



As the NFL's regular season wound down, some teams developed a rally cry of "all in!" For these teams, that motto symbolized a commitment to give it all they had and do their best to achieve the standard of excellence. That commitment was a pledge to each other and to the team as a whole. Reflecting on that motto and its symbolism, an "all in" philosophy could easily apply to insurance agencies and their commitment to achieving, among other things, a high standard of excellence in Errors & Omissions loss prevention.

With a new year underway, it is common to reflect on ways of improving agency operations over the next 12 months, including a commitment to E&O loss prevention. While oftentimes there are references to agencies that made "mistakes," in actuality, agencies don't make mistakes. People do. Thus, for your agency to have a strong commitment to doing the right thing, it takes every staff member to be "all in" to demonstrate that commitment. This starts with every staff member having a healthy respect for E&O and expressing a personal commitment to the agency and to fellow team members – and with management showing its commitment.

## Support, Respect and Feedback

Without management setting the tone and "walking the walk," – that is, being "all in" – it will be extremely difficult for the agency to achieve the E&O standard of excellence. From an E&O perspective, the best agencies are those where management sets a clear, concise message and lays out its expectations of the agency. Management that is involved and frequently interacts with the staff helps ensure an awareness of agency issues. Listening to the staff, respecting their thoughts and providing feedback helps staff members grow – and wise management knows that when the staff grows, the agency grows. To show support, it is common for management to attend E&O classes. That's called leading by example.

For the various levels within the agency, each staff member should be firmly committed to doing the right thing and make certain they possess the necessary technical and sales knowledge. In some respects, an agency is like a chain – it is only as strong as its weakest link. For example, if there are 10 people in the agency but only 9 are "all in," it may be easy to determine where the greatest E&O claims potential rests. The commitment of each staff member should be to themselves and to the agency as a whole. This applies to producers, account executives, accounting staff, file clerks, claims staff, receptionist, etc. They must be committed to performing each task promptly and professionally, and to clearly and openly treating customers with respect.

Among the key tasks is documentation. It is crucial that conversations are fully documented in the system and, where appropriate, documented back to the customer to address any potential misunderstandings. You are committed to providing your customers and your carriers with honest and correct information. All staff must do this ethically and to the best of their ability – in other words, showing that they are "all in."

## Identify Opportunities

Agencies must reflect back on 2011 and identify opportunities to strengthen the commitment to Errors & Omissions. Areas to consider include:

- ***Regularly scheduling staff meetings*** – These are a great tool to ensure open and solid communication. Take a portion of each meeting for education on some topic. This could be a technical subject, discussion of a new carrier form or new underwriting guidelines, or possibly to address customers' questions. Using the time to reinforce agency procedures and expectations such as documentation will contribute to consistency and growth. To enhance the E&O culture, look for each staff member to provide, at the meeting or in a subsequent conversation, thoughts on what they could do better to reduce the chances of the agency facing an E&O claim. This type of feedback is powerful and beneficial.

- ***Educating your customers*** – Help your agency's customers gain a better understanding of insurance matters, terms, etc. This will no doubt result in customers who feel respected. Consider using a printed or electronic newsletter to communicate this information. Combining this with an account-rounding campaign will definitely result in increased sales. It is obviously better to tell someone what is and what is not covered before they have a loss, as opposed to telling them afterwards.

- ***Procedural review*** – Are some procedures in need of updating? This could be a terrific opportunity to achieve gains in efficiency and professionalism, especially if it has been some time since they have been reviewed. A positive procedure to enhance the E&O culture involves including a cover letter when sending a policy to a customer. This letter should advise the customer to read the policy, and contact the agency promptly if there are any questions about the policy or if the customer wishes to make any changes. This letter can play a significant role in the defense of the agency should a claim develop.

- ***Attending an E&O loss control seminar*** – These can be extremely beneficial in educating the staff and enabling them to benefit from E&O guidance from a trained E&O professional. These classes are filed for continuing education credit, providing an additional benefit. Because most E&O carriers provide a loss control credit for attending these classes, this can also help save money on the agency's E&O.

## A Strong Commitment

How would you respond to the question, "What is your agency's E&O commitment?" Good Errors & Omissions results don't just happen. They take a strong commitment from every staff member – so look for 2012 to be a year with an "all in" E&O commitment. ■

e&o Loss Control Credit Program

Utica e&o Gives You the Credit You Deserve!

> *Without management setting the tone and "walking the walk," – that is, being **"all in"** – it will be extremely difficult for the agency to achieve the E&O standard of excellence.*
>
> *Curtis M. Pearsall*

# PIA National — 2012
## *The Year Ahead*

***PIA National Executive Vice President Len Brevik***

Late last year PIA National Executive Vice President Len Brevik peered into his crystal ball and looked at 2012. His prognostications were for the PIA and the insurance industry. While the picture isn't often pretty, Brevik did paint some positives.

The first is the end of the celebration of 80-years of service to the independent agency system. He said the PIA in 2012 is not your grandfather's trade association. "In 2011 PIA celebrated its 80th anniversary by creating a company to provide the tools that will ensure our success for the next 80 years." Brevik said.

That company is PIAPRO. It went from idea phase to reality in 2011. "PIAPRO is a Risk Retention Group (RRG) owned by PIA members, controlled by PIA members, to offer errors and omissions (E&O) coverage exclusively to PIA members."

What it means is PIA members now have more control over their own destiny.

"This was a particularly courageous step taken by the national leaders and state affiliates of PIA — forming and funding their own insurance company in the midst of a deep recession. It is an indication of our members' confidence in themselves, their businesses, their association and our American free enterprise system."

Brevik said the biggest battle independent agents faced in 2011 — like everyone else — was the economy. That economy has created a long soft market that continues to make the business of insurance a real struggle. "It's usually boom or bust, hard market or soft market. But right now, we seem to be stuck somewhere in the middle, not knowing which way things will go. The economy and the markets seem to be treading water, waiting for an end to the uncertainty and not knowing when that will come."

He is — however — optimistic for a turnaround. "In the broader economy, Wall Street has been doing great lately, but on many Main Streets things could be better. One thing is certain: Main Street is the key to a robust economy because small business is the engine of the American free enterprise system."

Politically 2012 will probably be a greater challenge than 2011. The biggest challenge will be the battle coming over the inclusion of independent insurance agents in the health insurance exchanges now being established in the states as the Patient Protection and Affordable Care Act (ObamaCare) is implemented. Another focus is how those agents will be compensated. One of last year's most important issues was the Obama administration's including agent compensation in the medical loss ratios established by the health reform law.

That didn't turn out well at all — so far.

"We will continue to push for the exclusion of agent compensation from the calculation of medical loss ratios (MLR). Many agents have seen their commissions cut by as much as 50 percent since the federal government lumped them into administrative expenses that are capped under the new healthcare law. We support H.R. 1206, the Professional Health Insurance Advisors Act of 2011, sponsored by Rep. Mike Rogers (R-Mich.). It mandates that compensation be calculated outside the MLR."

With the MLR controversy and how agents are being treated in the now forming exchanges, Brevik believes the administration is ignoring the wishes of Congress when the Patient Protection and Affordable Care Act was passed. "Congress already recognized the value of licensed agents and brokers by specifically including them in the health reform law as an integral part of the healthcare delivery system. H.R. 1206 will ensure that the intent of Congress is carried out, and not thwarted by the rule-making process."

The Obama administration — he contends — doesn't understand the ins and outs of the sale of insurance. "Our members who sell health insurance want to continue doing so — but the Department of Health and Human Services (HHS) doesn't seem to value the participation of producers. They think they can sell and service health insurance by building a website."

PIA National — like many of us — thinks ObamaCare is a disaster and will continue to be a disaster. The U.S. Supreme Court will take on the issue of the constitutionality of parts of the act in March of this year.

Crop insurance is another critical issue. "PIA is also working to ensure that our agents who sell crop insurance don't come under additional pressure as the 2012 Farm Bill is drafted," he said.

The last big concern is the Federal Insurance Office (FIO). PIA hopes it sticks to the design intended by Congress. "On the one hand, we were heartened when FIO Director Michael McRaith affirmed to Congress that the FIO is not a regulator. On the other hand, we were troubled when he said during the same hearing that 'the range and depth of our portfolio is still being defined.' PIA believes that portfolio has already been defined by Congress in the Dodd-Frank bill, which established very narrow parameters for the FIO's activities."

PIA worries that the FIO will attempt to morph itself into a massive federal insurance regulatory bureaucracy that usurps the role of the states as the regulators of the business of insurance. "Unfortunately, when Congress created the FIO it charged the new office with conducting a study of our nation's system of insurance regulation. PIA has opposed the FIO being the entity conducting this study, because we believe it cannot be objective. When was the last time a federal entity recommended that it not be given more power and more money?"

The administration — and some in Congress — continue to view insurance as an industry akin to big banking. It is not. "There is a nexus of thought at the U.S. Treasury Department, where the FIO is housed, that insurance should be treated as if it were just another banking product, a commodity. That's why we've given a high priority to making sure the FIO never strays from its limited mandate, or seeks more power," Brevik concluded. ■

## Retirees:
## *A View of 2012*

Theoretically we value the wisdom of the elderly in our society; those whose life experiences and values are passed to succeeding generations. It's a theory. In reality, those who have worked, built, succeeded and retired are usually ignored.

Extend Health — a Medicare exchange firm — did a study of retirees and their take on and worries about 2012. These are their worries:

- 45% say the economy is the top concern — and it's a big one.
- Next is the national debt — 21%.
- Jobs is third — 19%
- 15% say health care is their biggest worry. ■

## Update
## *Insurance Income 2011*

A report from Insurance Services Office (ISO) and the Property Casualty Insurers Association of America (PCI) says the after tax net income for insurers for the first three quarters of 2011 fell 70.5% when compared to 2010.

Ouch.

Net underwriting losses are the biggest reason. Losses hit $34.91 billion. In 2010 they were $6.3 billion. For the first nine months of the year the combined ratio dropped to 109.9% from 101.2%.

In a joint statement, the two groups said catastrophe losses that tripled are a big part of the reason. Worldwide catastrophe losses hit over $108 billion in all of 2011. "The deterioration in underwriting results is largely attributable to a spike in net losses and loss adjustment expenses — LLAE — from catastrophes. ISO estimates that insurers' net LLAE from catastrophes rose to $33.2 billion," the statement said.

That's compared to $10.8 billion for the same time period in 2010.

- Net investment gains rose 5.4% to $41.97 billion and partly offset the poor underwriting results.
- Policyholders surplus fell 1.6% to $538.63 billion.
- Net written premiums rose 3.1% to $334.53 billion. ■

***Source: ISO, PCI, Business Insurance***

# 2012's Second Biggest Business Worry

You can lump the economy and jobs into one and easily defend saying they are the top issue facing business in 2012. There are probably other issues that — in reality — beat what we consider the second biggest threat to business this year. But for businesses that rely on information and that store information, cyber attacks could be your second biggest worry of 2012 — easily.

Via one of our long-time supporters, the PIA Western Alliance offers assistance. But more on that in a bit.

As proof of the problem we offer an attack by Chinese computer hackers on the U.S. Chamber of Commerce's data base in late December. The hackers gained access to the organization's three-million members.

How complicated was the attack? Very. Experts say as many as 300 internet addresses were involved. The attack focused on four workers whose job was Asian policy. At least six weeks of the emails sent and received by them were stolen. The Chamber says it is possible that the hackers had access to the addresses of those four employees for as much as a year.

So far the Chamber isn't offering a lot of detailed information about how much info the hackers were able to get from the data base. Those investigating have said the names of companies and key people in contact with the Chamber, as well as trade-policy documents, meeting notes, trip reports and schedules were in those emails.

This is not an isolated incident.

Sony was breached in 2011 and 100 million customer accounts were compromised. Class action suits have begun. The suits will add to the $200 million already spent by Sony to clean up the mess. The firm had some cyber attack insurance.

Many other firms were attacked in 2011 including Google, Epsilon and RSA.

Advisen says only about a third of the world's largest companies are insured against cyber attacks. The Ponemon Institute released data saying the cost per compromised identity is estimated at $214. The average cost per data breach is $7.2 million.

The Chubb Group of Insurance Companies did a survey last year. It found a third of us don't think our companies and others are doing enough to protect our personal information. Tracey Vispoli of Chubb said, "The increased use of electronic health records, mobile devices, apps and social media offers cyber criminals new places to play. As cyber breaches expose more employees and consumers to identity theft, companies are wrestling with higher costs to contain and repair the financial and reputational damage."

The Federal Trade Commission's (FTC) Red Flags Rule took effect in 2010. They require many businesses and organizations to implement a written identity theft prevention program designed to detect the warning signs — or red flags — of identity theft in day-to-day operations.

As most of you know, insurance and insurance agencies are not in those requirements. It does — however — seem advisable to have systems in place to protect the personal information of your clients.

There are some important gray areas in the Red Flag Rule where PIA member agencies are expected to comply with the general business practice requirements. For example, you may have exposure when — as an agency — you decide to extend credit to customers, i.e., by financing insurance premiums either directly as a program developed by the agency, or when doing so through a financing company that is not a licensed insurance premium finance carrier.

You may also want to purchase your own insurance. Several insurance firms are now offering cyber attack insurance. Peter Foster of Willis North America thinks as much as $750 million in premiums were collected in 2011. That figure could double in the next year to 18 months.

Lockton's Emily Freeman says firms that collect data — like insurance companies and insurance agencies — need to be insured for:

- Intellectual property theft
- Loss of business
- Notification costs
- Credit monitoring services
- Public relations expenses
- Legal expenses
- Investigation expenses
- Class action lawsuit expenses
- Regulatory and civil fines

She said, "There's no one size fits all. It depends on the size of the company and their exposure. I've seen companies buy a million dollars of this coverage with a small deductible. Others have bought $100 million of coverage for a rainy day — the kind of rainy day you might have to disclose to the S.E.C. (Security and Exchange Commission)." ■

***Source: PIA Western Alliance, Chubb, Lockton, New York Times***

# Does Insurance Confuse Your Customers?

A study by the branding company Siegel+Gale called the ***Global Brand Simplicity Index*** says insurance may be to complicated for consumers. In the industries checked, insurance is the 24th most complicated to understand.

When it comes to simplicity, Google, Netflix and Ikea rule.

Just one insurer — GEICO — hit the top 50 because of its focus on simplicity and low prices. Other than GEICO's customers, the rest of them are confused and here's why:

- Consumers don't understand policy documents and what is covered.
- They don't understand preauthorization.
- They don't understand their insurance bill.
- They don't understand how to select the right insurance and right coverage for their needs.

Here's what the report concluded: "Insurers were generally successful in providing quotes and bills that people could understand, but failed to make a policy change or answering a specific question a simple matter."

The report notes consumers are willing to pay more for simplicity. "Consumers are so serious about simplicity they're willing to pay for it — between 5 percent and 6.5 percent extra, depending on the category." ■

***Source: Insurance Networking News***

## Simplicity
## *WORKS*

"Simplicity … customers are willing to pay for it…"

# Supreme Court Sets ObamaCare Hearing Dates

The U.S. Supreme Court has set three days to argue the constitutionality and other parts of the Patient Protection and Affordable Care Act. The court has set March 26-28 aside and the arguments will go a whopping 5 1/2 hours.

The real fireworks is expected to come on the 27th when the heart of the matter is explored. The big question: Does Congress have the right to force individuals to purchase health insurance? The administration says yes. And the 26 states challenging the constitutionality of ObamaCare say no.

On the 28th the court will take 90-minutes and look at whether the Patient Protection and Affordable Care Act can survive if the individual mandate is struck down. Another hour that day will explore whether states were illegally forced to expand their Medicaid programs to pay for the health insurance of those who cannot afford it.

Expect a ruling in June. ■

# Obama Relaxes Insurance Exchange Requirements

As the implementation of the Patient Protection and Affordable Care Act shifts from low into second gear, the Obama administration is relaxing the rules on how states will offer insurance in the exchanges that will go into effect in 2014.

In an effort to placate states whose insurance regulators and departments have long run the business of insurance, and in an effort to not be seen as "big brother," the government via the Department of Health and Human Services (HHS) has relaxed the rules.

HHS Secretary Kathleen Sebelius said the new policy will set the overall guidelines and the states can pick from several federally approved options. "Under the Affordable Care Act, consumers and small businesses can be confident that the insurance plans they choose and purchase will cover a comprehensive and affordable set of health services. Our approach will protect consumers and give states the flexibility to design coverage options that meet their unique needs."

The law says coverage from plans in the exchanges must include:

- Inpatient and outpatient care
- Emergency services
- Maternity and childhood care
- Prescription drugs
- Preventive screenings and labs
- Mental health and substance abuse treatment
- Physical rehab
- Dental and vision care for kids
- And more.

The new HHS regs say states can choose from the following options when selecting what insurance plans are offered in the exchanges. They must have a minimum of:

- One of the three largest small group plans in the state.
- One of the three largest state employee health plans.
- One of the three largest federal employee health plan options.
- The largest HMO plan offered in the state's commercial market.

National Association of Insurance Commissioners (NAIC) health care committee chair and Kansas Insurance Commissioner Sandy Praeger likes the option. "Quite frankly, this was a very smart approach for HHS. It builds on existing state law."

Neil Trautwein of the Essential Health Benefits Coalition and who also represents the National Retail Federation sees it a bit differently. "While the essential health benefits bulletin issued by HHS allows for flexibility, the devil will be in the details. The bulletin leaves unanswered the question of affordability in the states. Employers, health plans, and state governments should have as much flexibility as possible in order to design and choose plans that are affordable and meet the needs of American families." ■

# NFIP Renewal

## *A Disaster of a Different Kind*

The National Flood Insurance Program (NFIP) is designed to provide flood insurance for the victims of flood disasters. It has now become its own disaster.

Congress has ***again*** extended the NFIP authorization "temporarily" and President Obama signed the extension. So until May 31, 2012 the nation will have a flood insurance program.

PIA National's Mike Becker says what really needs to happen is a permanent extension. But Becker and the PIA have been saying that for several years. "Doing this six-month extension rather than one for the full fiscal year keeps the issue of comprehensive reform and a five-year NFIP authorization at the top of the congressional agenda."

The House passed a five-year extension last summer. The Senate wants a five-year extension as well but wants changes to the House bill. It did not have time to get them done and then send the bill back to the House or to meet with the House in a conference committee to iron out the differences.

Thus the temporary extension — or kicking the can down the road as some media sources are saying.

Meanwhile pressure is mounting to allow private insurers to participate in the program. The University of Pennsylvania's Wharton School did a study titled ***A Methodological Approach for Pricing Flood Insurance and Evaluating Loss Reduction Measures: Application in Texas***.

Looking at two Texas counties, the school concluded that private insurers could conceivably provide lower cost premiums for flood insurance than the NFIP. Extrapolating those facts outward, the Wharton School thinks private insurers — in some cases — could do the same all over the nation.

Study coordinator Erwann Michel-Kerjan said it just depends on the area. "There are several practical barriers that would need to be addressed for private insurers to sell such coverage, but if done, this could significantly increase the number of residents with proper coverage, thus reducing the need for government disaster relief." ■

# A Winter Suggestion
## *from PIA National*

Winter is officially here. The arrival of cold weather doesn't mean that the risk of flooding is over. As we all know and have experienced, winter often brings severe conditions such as snow, heavy rains, melting, and ice jams.

They can pose major threats to your customers' properties.

On the coasts high winds are often generated by storms. They cause beach erosion and flooding. Many Western states are very wet and experience lots of rain which also leads to flooding. Inland and on the coasts, wildfires that raged this summer and in past summers have eroded soil and burned away vegetation that normally traps moisture.

Melting snow as we move past winter and into spring also causes problems.

PIA National says Congress has extended the National Flood Insurance Program (NFIP) so now is a good time to ensure that your residential and commercial customers are protected by flood insurance.

NATIONAL FLOOD INSURANCE PROGRAM **Agents.FloodSmart.gov**
A FloodSmart site for NFIP agents

Visit **Agents.FloodSmart.gov** to learn more about tools and resources that can help you, such as the Co-Op advertising program, desktop direct mail program, free referrals and interactive tools that you can put on your website to demonstrate the risks and costs of flooding to your customers.

Many of these resources are also available at the newly launched Partner section at **www.floodsmart.gov/floodsmart/pages/partner/partner_index.jsp**. This section also offers a Map Updates Toolkit and links to information about map changes around the United States, as well as a ***Flood Outreach Toolkit*** and ***Levee Toolkit***.


Do you need a quality Write-Your-Own (WYO) flood insurance carrier for your agency? Since 2004, PIA and The Hartford have joined together to provide PIA member agents the opportunity to offer their customers flood insurance through The Hartford, a premier WYO company. The program is available to PIA members and their policyholders in all 50 states, the District of Columbia and Puerto Rico. Learn more at **www.pianet.com/floodinsuranceprogram** or contact Karen Piacenta of The Hartford at (860) 757-1984 or karen.piacenta@thehartford.com. ■

# GEICO
## Save 15% or More
# Not Really

The caveman tells us. The gecko tells us. Foghorn Leghorn. People hiding living under rocks. Has been celebrities looking for attention tell us. The message is that GEICO can save you 15% or more on car insurance.

Apparently that 15% or more — at least in Washington State — comes with overcharges. Washington Insurance Commissioner Mike Kreidler says statewide those overcharges amount to about $7.5 million.

He has fined GEICO $100,000 and ordered the company to send refunds to 25,267 customers with 8% interest.

To be fair, Kreidler says the overcharge was an error and not intentional. "A computer database error caused the problem, which the company reported to us promptly. GEICO has also agreed to a two-year compliance plan that includes multiple audits."

That plan must outline corrective actions, steps the company took to correct the problem, who made the errors and who made the changes and how the company will avoid overcharges in the future.

The refunds will total about $300 per customer. ■

# PIA National & the Federal Insurance Office

Federal Insurance Office Director Michael McRaith asked for industry comments on state regulation of insurance and the modernization of insurance regulations. PIA National complied and has filed extensive comments with McRaith and the U.S. Treasury. For those that don't know, it oversees the FIO.

PIA reiterated its firm support for state regulation of insurance and our staunch opposition to expanded federal regulation of insurance. Here are some excerpts from the PIA's comments:

***PIA believes that a modernized insurance regulatory system must remain state based and that insurance consumers, the insurance industry and the American economy would be poorly served by expanding federal insurance regulation, either in whole or in part. Contrary to some assertions, the state based system of insurance regulation is not broken. It has performed exceptionally well, especially during the 2008 financial crisis.***

***The FIO should assume a complimentary role to the existing national system of state-based insurance regulation. The FIO should not assume a competitive stance relative to state insurance regulatory authorities. In addition, we believe it is imperative that the FIO cultivate a cooperative relationship with state insurance legislators, who determine domestic insurance regulatory policy which is then carried out by state insurance regulators.***

***PIA is willing to expand its current activities to work with the FIO to develop innovative programs to better reach minority communities and expand the number of independent insurance agents and agencies in these communities.***

***Insurance, by contrast, is geographically specific. All property-casualty personal lines and most commercial lines insure assets that exist in a fixed, physical place. State insurance regulators are best equipped to supervise the business of insurance because they have the local expertise needed to regulate what is essentially a local, not a global, financial service.***

***We do not believe that it is a proper role for the federal government to take administrative action that dictates the maximum compensation of a private insurance agent, for any line of insurance. The decision to do so has negatively impacted a vital part of the crop insurance delivery system. While PIA continues efforts to repeal these compensation caps, we would be similarly opposed to comparable action on other lines of insurance.***

Meanwhile, at the Federal Insurance Office's first conference on insurance regulation some of the Treasury Department's top brass reaffirmed the place of state regulators in overseeing the insurance industry. Deputy Treasury Secretary Neal Wolin said, "It is not the role of the FIO to regulate the insurance industry. That job belongs to the states."

McRaith agreed. He, too, reiterated his support for the state regulatory system and said he views the FIO's role as an adviser to help find areas of improvements that state regulators can pursue. ■

# PIA National's Ted Besesparis on the FIO


In an article in the December issue of ***American Agent & Broker magazine***, PIA National's Ted Besesparis wrote an article on the PIA's worries about how the Federal Insurance Office (FIO) uses its powers.

His concern: the FIO could morph into a "Frankenstein monster."

Besesparis wrote that when Congress created the FIO, and knowing that federal agencies tend to want to expand their mandates, it placed restrictions designed to prevent mission creep. An admission by FIO Director Michael McRaith that the FIO is not trying to usurp state authority in the regulation of insurance got national news attention.

Besesparis found that odd. "It is noteworthy when you consider the suspicion that the FIO — this lowly office with the highly restrictive mandate — could attempt to break out of its chains like some Frankenstein monster. Would such a monster lay waste to our state-based insurance system? Try to capture every state's insurance premium tax, only to dump it down some federal rathole? Use insurance guaranty funds to shore up risky global investment firms? Crush the thousands of small and mid-sized insurance companies and independent agents who provide competition for the 'big boys' — all in the name of bigger profits for a handful of well-connected mega-firms?"

In the law that established the FIO, Congress mandated that it conduct a study of the nation's state system of insurance regulation and give recommendations to Congress on how that regulation might be improved. That gives PIA National considerable concern.

"FIO could be conflicted when it comes to making recommendations to Congress, because a recommendation for a greater federal role in regulating the business of insurance would benefit the FIO by expanding the power of the FIO itself — which Congress is on record opposing."

PIA National says the FIO cannot possibly give an unbiased, objective study and strenuously opposes this provision of the law. And the legislation did not limit the study to areas where the FIO's authority is limited. It laid out leading questions that seem designed to foster negative perceptions of state insurance regulation.

The questions contain a bias. "FIO is soliciting comments on such things as 'the costs and benefits of federal regulation of insurance across various lines of insurance' and 'the feasibility of regulating only certain lines of insurance at the federal level, while leaving other lines of insurance to be regulated at the state level.' But there are no balancing questions asking about the proven successes and efficiencies of state regulation," he wrote.

Besesparis says there are better places to get such "unbiased" assessments. "Objective, unbiased assessments of public policy options are best left to the kind of non-partisan entities to which Congress routinely turns for such purposes. The Government Accountability Office (GAO) could conduct such an assessment free of the institutional bias that the Federal Insurance Office may bring to this task."

He concludes: "This is just another chapter in the decades-long debate between those who support state regulation of insurance and those who want federal regulation. Through the years, multiple efforts to enact federal insurance regulation have been turned back. To this day, support for federal regulation is lacking in Congress, as evidenced by the restrictions placed on the FIO."

The article ends up asking why few of those "investigating" the issue cannot see the success and relevance of state-based insurance regulation. "Instead of trying to absorb insurance regulation into the federal system that failed, policymakers should study how the state system of insurance regulation worked so well, then apply the lessons learned to the banking and securities sectors." ■

# Market Regulation

## *An NAIC Priority*

The National Association of Insurance Commissioners (NAIC) wants continued improvement in the area of market regulation. It's going to be a 2012 priority. Starting with an assessment of the current state of market regulation, the NAIC's Market Regulation and Consumer Affairs Committee will lead the way.

The NAIC says the effort recognizes an ongoing commitment by the states to maintain the highest level of consumer protection while striving for the most efficient market regulatory process.

Kentucky Insurance Commissioner and Chair of the Market Regulation and Consumer Affairs Committee Sharon Clark said, "While there have been positive strides made in the area of market regulation over the last decade, we believe there is room for further improvement. A primary goal of this assessment is to better measure our progress in eliminating unnecessary duplication of effort and lack of consistency."

Earlier this month, the Committee sent a survey to state insurance departments to obtain additional information and further the discussion on the current state of market regulation. A preliminary list of potential topics include: reporting of state market conduct data to NAIC systems, the growing role of market analysis and the most cost efficient way to evaluate the marketplace, examiner training and expertise, examination expenses and mandatory coordination of state examinations. ■

People Factoid

# Marriage on the Decline

Marriage is suffering. Pew Research Center looked at Census Bureau data and found for those 18 and over just 51% of couples living together are married. And there are more single parents and couples in the state of cohabitation than ever.

Married couples went from 72% in 1960 to 51% today and consultant Bradford Wilcox of the National Marriage Project at the University of Virginia says in the next few years the number will dip below 50%. "There's been a retreat from marriage going on for awhile now. The economic fallout from the Great Recession has made the retreat from marriage accelerate. That's just because even today, Americans see marriage at least in part as an economic undertaking. So particularly when partners, especially men, don't have decent stable work they are more likely to postpone or forego marriage."

The report also says a there was a record drop in new marriages between 2009 and 2010 — it fell 5%. And check this out. For the 18 to 29 age group marriage has fallen from 59% in 1960 to just 20% today. The age of those finally getting married is also rising. For brides the average marriage age is 26.5 and it is 28.7 for grooms.

There is some good news. Divorce rates that were skyrocketing have leveled off and in some cases have declined. That — of course — could be a deceptive factoid. When people aren't married, there aren't divorces.

Wilcox said the decline in marriage isn't good for the country and are a sign of a declining economy. "Strong marriages and strong families flourish in a healthy economic and community context. Those contexts have weakened particularly in working class and poor communities in the last 30-40 years. People are less likely to be engaged in stable full time work, their church community, the Jaycees." ■

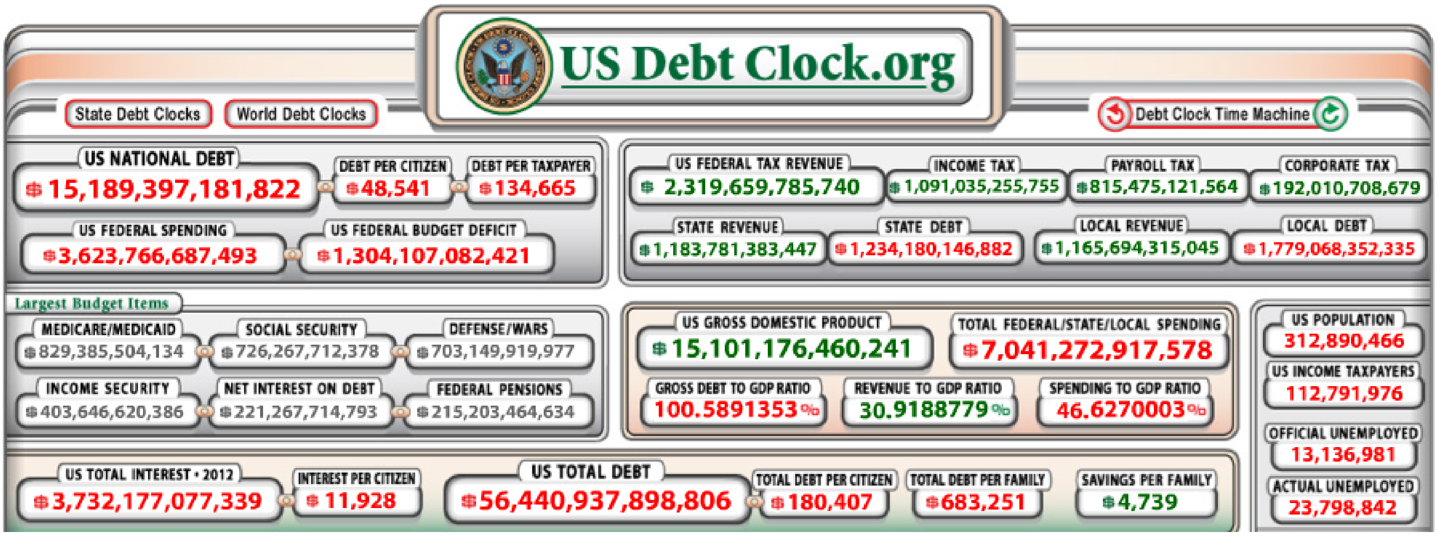
# AIG's Benmosche

*Keep Me Longer*

AIG CEO Robert Benmosche is supposed to retire sometime this year. He has cancer. Benmosche says it's under control. The favorable prognosis has Benmosche telling ***The Wall Street Journal*** he wants to stay with AIG at least through the end of 2012 and maybe beyond. "I want to stay active and energized, and having too much time on my hands is not healthy, I think."

The CEO says his firm has turned the corner and is on its way toward becoming what it once was — the most valuable insurance company in the world. ■

# Message to Congress
## *You are the Worst Ever*




As the nation's debt rolls past $15 trillion — go to http://www.usdebtclock.org/ to see where we are now — the U.S. Congress now has its lowest approval rating in history. If there's a message this coming election — that's it.

An ***NBC-Wall Street Journal*** poll has 42% of us rating this Congress as the worst ever. Another 33% call it "below average." The poll also says that just 22% of us think Congress and the administration are taking the nation in the right direction. Believe it or not, that's an improvement. In November it was 19%.

Looking at how we sit personally, 27% called 2011 the worst year ever. And 31% said the rich are getting richer and the poor, poorer and the middle class is declining. ■

# Upcoming
## *Events Calendar 2012*

For information and to register **Click Here**
or call (402) 392-1611.

| Start Date | Class | Type | Location |
|---|---|---|---|
| January 9, 2012 | Online | MERG: Personal Lines Coverage Basics | |
| January 9, 2012 | Online | MERG: New Agency Emplyee Orientation | |
| January 11, 2012 | | Board & Committee Meetings | Omaha, NE |
| January 11, 2012 | | After the Holiday's Mixer @ Fox and Hound | Omaha, NE |
| February 8, 2012 | | Legislative Luncheon at the Govenor's Mansion | Lincoln, NE |
| February 13, 2012 | Online | MERG: New Agency Emplyee Orientation | |
| February 13, 2012 | Online | MERG: Delivering Quality Service (to the Customer and the Employer) | |
| February 13, 2012 | Online | MERG: Commercial Lines Coverage Basics | |
| February 15, 2012 | CPSR | Systems, Operations & Procedures | Grand Island, NE |
| February 16, 2012 | CISR | Agency Operations | Des Moines, IA |
| Feb. 29 - March 2, 2012 | CIC | Life & Health Institute | Omaha, NE |
| March 12, 2012 | Online | MERG: Personal Lines Coverage Basics | |
| March 12, 2012 | Online | MERG: New Agency Emplyee Orientation | |
| March 13, 2012 | CISR | William T. Hold | Des Moines, IA |
| March 14 -16, 2012 | CIC | Commercial Casualty Institute | Des Moines, IA |
| March 20, 2012 | CISR | Insuring Commercial Property | Cedar Rapids/ Marion, IA |
| March 21 -24, 2012 | | Federal Legislative Summit | Washington, DC |
| April 9, 2012 | Online | MERG: Commercial Lines Coverage Basics | |
| April 12, 2012 | CISR | Personal Auto | Davenport, IA |
| April 17, 2012 | CPIA | Position for Success | Lincoln, NE |
| April 17, 2012 | CPIA | Position for Success | Des Moines, IA |
| April 17 -20, 2012 | CIC | Agency Management Institute | Lincoln, NE |
| April 19, 2012 | CISR | Insuring Personal Residential | Cedar Rapids/ Marion, IA |
| May 9, 2012 | CISR | Insuring Personal Residential | Des Moines, IA |
| May 9 -11, 2012 | CIC | Life & Health Institute | Cedar Rapids, IA |

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|---|---|---|---|
| May 10, 2012 | CISR | Insuring Commercial Casualty | Davenport, IA |
| May 16, 2012 | CPSR | Commercial Casualty | Lincoln, NE |
| **June 7-8, 2012** | | **PIA NE IA Convention - Save the Date!!** | **TBA** |
| June 11, 2012 | Online | MERG: Delivering Quality Service (to the Customer and the Employer) | |
| June 20, 2012 | CISR | Insuring Commercial Property | Des Moines, IA |
| June 21, 2012 | CISR | Agency Operations | Cedar Rapids/ Marion, IA |
| July 11, 2012 | CISR | Agency Operations | Davenport, IA |
| July 18, 2012 | CISR | Insuring Commercial Casualty | Des Moines, IA |
| July 18-20, 2012 | CIC | Commercial Property Institute | Omaha, NE |
| July 19, 2012 | CISR | Insuring Commercial Casualty | Cedar Rapids/ Marion, IA |
| July 25, 2012 | CISR | William T. Hold | Cedar Rapids/ Marion, IA |
| July 25 -27, 2012 | CIC | Agency Management Institute | Des Moines, IA |
| July 26, 2012 | CPIA | Implement for Success | Des Moines, IA |
| July 26, 2012 | CPSR | Commercial Property | North Platte, NE |
| August 16, 2012 | CISR | Insuring Personal Auto | Des Moines, IA |
| August 22, 2012 | CPIA | Implement for Success | Omaha, NE |
| August 22 -24, 2012 | CIC | Personal Lines Institute | Lincoln, NE |
| August 28-30, 2012 | CIC | Commercial Property Institute | Cedar Rapids, IA |
| September 12, 2012 | CISR | Insuring Commercial Property | Davenport, IA |
| September 13, 2012 | CISR | Insuring Personal Auto | Cedar Rapids/ Marion, IA |
| September 18, 2012 | | Greater Omaha Committee Scholarship Golf Outing | Ashland, NE |
| September 20, 2012 | | Rural & Town Agents Seminar | TBA |
| September 20 -23, 2012 | | PIA National Fall Governance Meetings | Baltimore, MD |
| October 10 -12, 2012 | CIC | Commercial Casualty Institute | Omaha, NE |
| 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 |

# How Big is the Web?

Pretty big. That's how big. Kevin Kelly of ***Wired Magazine*** says there are at least a trillion web pages. Our brain has close to 100 billion neurons. The two do relate — or so Kelly believes.

"Each biological neuron sprouts synaptic links to thousands of other neurons, while each Web page on average links to 60 other pages. That adds up to a trillion 'synapses' between the static pages on the Web. The human brain has about 100 times that number of links — but brains are not doubling in size every few years. The global machine is."

The comment is lost on the ***Weekly Industry News*** staff, too. What we think it says is the brain is pretty big and so is the web. How big may soon be learned by Tim Berners-Lee who runs the World Wide Web Foundation. That's the group that takes credit for inventing the Internet.

Sorry, Al Gore.

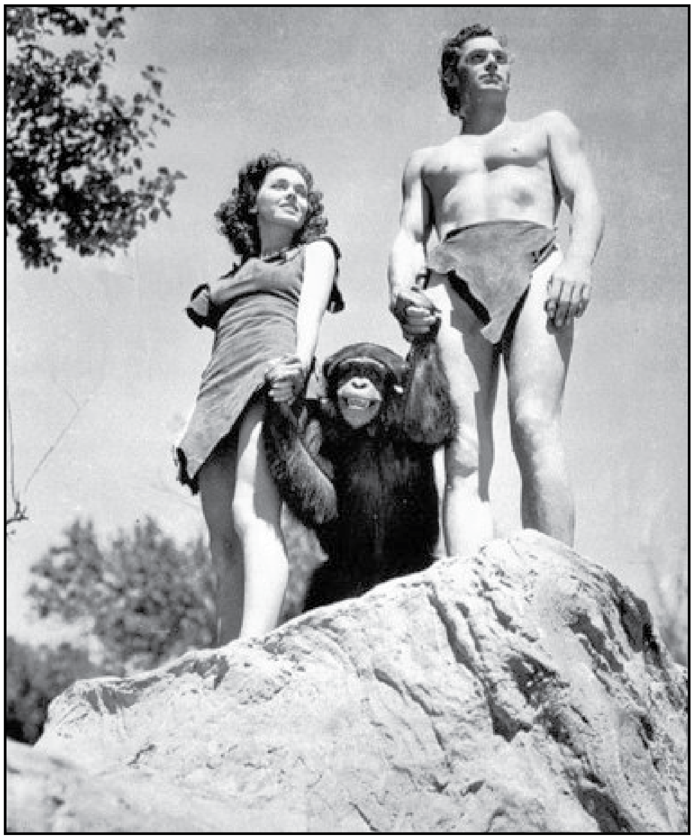
He got a $1 million grant from Google to do research on just how big the Internet is. So far as we know the space is infinite. How full infinity has become is the subject of Berners-Lee's study.

We'll keep you posted. ■

# So Long Cheetah

Tarzan's Cheetah died just before New Year's Day. His co-stars Johnny Weissmuller and Maureen O'Sullivan and other stars of the series departed decades before the chimpanzee.

We all probably thought the poor thing was already dead. Cheetah wasn't. The chimp who starred in the movie series from 1932 to 1934 died of kidney failure. He was 80-years old. ■



*AP Photo: A file photo shows Johnny Weissmuller, right, as Tarzan, Maureen O'Sullivan as Jane, and Cheetah the chimpanzee, in a scene from the 1932 movie Tarzan the Ape Man.*

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