

IIAV NEWSLETTER

111 years in the news



Independent Insurance Agents of Virginia, Inc. - The Virginia Association of Insurance AgentsSM

June 2009

WELCOME NEW MEMBERS

New Agency Members:

- Cornerstone Insurance Agency, Mechanicsville, District 3
- E. O. Smith Insurance Agency, Triangle, District 5
- Martin Insurance Agency, Glasgow, District 7
- The Noland Insurance Agency, LLC, Warrenton, District 6
- Old Town Insurance & Financial Services, Inc., Warrenton, District 6
- Quality Insurance Services, Midlothian, District 3

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▶ Virginia Agents Lobby Congress

Photo by Marty Lazor



In late April and early May, members of IIAV attended the IIBA National Legislative Conference and visited with many of Virginia's state legislators. There are a number of critical issues that need to be addressed – none the least of which deals with health care reform and proposals for federal regulation of insurance. These two specific issues will need IIAV member attention urgently and we will communicate directly with you on these matters. Among the specific issues we presented are:

◆ **HEALTH CARE REFORM**—The Obama Administration as well as the U.S. Congress has made health care reform one of their top priorities and hope to pass a comprehensive bill by the fall of 2009. A central component of nearly every health care reform proposal under consideration in Congress is the creation of a Health Care Exchange, as has been implemented in Massachusetts. The Big "I" is concerned the exchange could potentially eliminate or significantly curb the role of agents in the sale and delivery of health insurance.

In our meetings with our Congressional delegation we talked about the importance of insurance agents and brokers in the sale of health insurance. Each individual and business has distinct health care needs, and agents help them navigate the complexities of the market and find the best coverage.

We encouraged Congress to build on the employer-based health care delivery mechanism rather than displace it with a federally-run program. The Big "I" supports offering small businesses incentives such as tax credits and rebates. We are also concerned about the taxing of current employer-provided health care benefits because it will further drive up health care costs and undermine the employer-based system.

◆ **INSURANCE REGULATORY REFORM**—With the bailout of the largest insurance company in the world, President Obama has made financial services regulatory reform one of his top priorities. Large insurers and national brokers for the past decade have been pushing for the creation of a federal regulator and see this as a good opportunity to push this agenda. Their bill, the National Insurance Consumer Protection Act (H.R. 1880), would establish an Office of National Insurance within the Treasury Department to provide for the optional chartering of national insurers and national agencies.

We shared with our elected officials that only AIG's insurance-related subsidiaries are regulated by state insurance commissioners and they are financially sound and that AIG's exotic investments, including credit default swaps, have created the need for the federal bailout.

(continued on next page)

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The Big “I” supports making changes to our current state regulatory system to make it easier for insurance companies and agents to do business in multiple states and opposes the legislation to create an optional federal charter for the insurance market. We shared the Big “I”’s concern that the establishment of a federal insurance charter would not provide better protection for insurance consumers but add an additional layer of regulation and confusion. It would not be optional for independent agents and consumers. Since some insurers would choose to be regulated at the state level and others at the federal level, independent agents and their customers would need to deal with two regulators.



We shared our concerns about nonresident agent licensing as an example of a needed reform of our current regulatory system. The average independent agency is licensed in at least eight states and many are licensed in 35-50 jurisdictions. Maintaining the licenses is time-consuming and confusing. The Big “I” supports NARAB Reform Act, which passed the U.S. House in September 2008 and will soon be reintroduced this year. This legislation would establish a non-profit entity that would act as a one-stop shop for producers to easily get licensed in as many states as they choose by filling out one application without additional regulations/requirements.

◆ **FLOOD INSURANCE REFORM**—On Sept. 30, 2009, the prior extension of the National Flood Insurance Program (passed in March 2009) will expire. Congress must pass another extension of this program or consumers will face nonrenewal of their NFIP policies. Additionally, the dramatic impact of the 2005 hurricanes on the NFIP has led many in Congress to call for reforms to put it on a more stable financial footing. NFIP claims liabilities arising from Hurricanes Katrina and Rita are estimated at more than \$21 billion, far surpassing the total claims paid in the entire history of the NFIP.

We communicated with our elected officials that the Big “I” is a strong supporter of the NFIP and seeks to modernize and strengthen the program for the future. The Big “I” believes the private insurance industry has been, and continues to be, largely unable to underwrite flood insurance because of the catastrophic nature of these disasters. Therefore, the NFIP is virtually the only way for people to protect against the loss of their homes or businesses due to floods. We strongly urged Congress to extend the NFIP and also modernize the program and protect it from the threat of insolvency in the years ahead.

The Big “I” has laid out a 23-point reform initiative on how to reform the program. These include adding optional business interruption insurance, additional living expenses coverage, finished basement coverage and replacement cost coverage. The plan also encourages increasing maximum coverage limits and creating risk-based rates for nonresidential or second homes.

◆ **CROP INSURANCE**—Since 1994, agents have been the sole sales force of the Federal Crop Insurance Program (FCIP). During this time, the total net acres insured increased from about 83 million in 1993 to about 242 million in 2006.

The House Government Reform and Oversight Committee and the Government Accountability Office (GAO) plan to examine the crop insurance program this year. The Obama Administration has also submitted a budget proposal that would cut some funding for the FCIP.

We shared the Big “I”’s concern that these additional proposed cuts to crop insurance would undermine the program’s affordability to farmers, as well as the it’s efficient and effective delivery of services through independent agents. We are also extremely concerned that these or any other proposed cuts would reopen the 2008 Farm Bill. The 2008 Farm Bill resulted in a massive \$6 billion cut to the crop insurance industry, the effects of which are still being determined.

The Big “I” strongly supports the FCIP and urges Congress to continue this valuable program and calls on Congress to ensure that independent insurance agents continue to receive just compensation for the work put into crop insurance sales and servicing.

InsurPAC – Please contribute today!

InsurPac is the largest P & C insurance industry PAC and is one of the reasons why the Big “I” is routinely rated in Fortune magazine’s top-25 list of most successful lobbying groups in Washington D.C. By pooling individual contributions, InsurPac helps elect candidates and re-elect members of the U.S. Congress who share the Big “I”’s business philosophy. Now more than ever before, we need to keep our friends in Congress no matter in what state they reside.

Help us make sure the voice of the independent agent is heard loud and clear in Congress. “Insure Your Future!” and contribute to InsurPac today by going to Insurpac request <http://wa.iaa.org/insurpacform.PDF>. ■

2009 Annual Convention & Exposition

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► 2009 Annual Convention – An Event Not to Miss!!

By Joe Hudgins (jhudgins@iav.com), IIAV Vice President of Industry Relations



Convention time is almost here, less than one month away. Our trade show is sold out with 62 exhibitors! Insurance agencies, insurance companies, reinsurance companies, brokers, technology companies, financial services, educational services and insurance industry support services are all represented. You will not want to miss our keynote speaker, world economist Don Reynolds; his presentation is prior to the trade show on Monday. Monday afternoon Don will present a mini seminar on the economy and Matt Frazer of Agent's Choice Staffing will present a seminar on the cost of new hires.

Tuesday morning hear Tom Gosse, president of Northern Neck Insurance Company, reprise the speech he made at the VCU RISC Conference, "The Future of the Independent Agent in the Insurance Industry or Is the Agent Obsolete?". Our Tuesday morning breakout sessions include Jeff Yates, Executive Director of ACT, (2 CE credits) and Charlie Kingdollar, Vice President of GenRe. Jeff will be making a presentation on agency productivity while Charlie is speaking on emerging issues within our industry. A Laws & Regs continuing education course (2 CE credits) will be offered Tuesday afternoon. The Tuesday evening entertainment will be Mike Rayburn, known as "the world's funniest guitar virtuoso" (visit his website for a preview).

Of course, there is plenty of opportunity for fun and fellowship with the Sunday evening wine tasting event, the Sunday night reception at Providence Hall, the Monday and Tuesday evening receptions and the Tuesday afternoon golf tournament at the Green Course.

If all of this is not enough, there will be ample time all three days to take advantage of the Williamsburg area and its rich history. Use the discounted pass we are offering and visit the sites in the Williamsburg historical area. Both the Jamestown Settlement and the Yorktown Battlefield are within minutes of The Lodge. If you choose, take time to have fun at either Busch Gardens or Water Country, both within minutes of Williamsburg.

Finally, your home base will be The Williamsburg Lodge, one of Virginia's premier resort properties. Located in the middle of Williamsburg, it is within walking distance of all of the historic sites and restaurants in the historic district.

We are excited about this year's convention. There will be many opportunities to learn, network and have fun.

For convention registration information visit www.iav.com. See you there!!!! ■



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► 10% Discount on Online License Applications

IIAV is now able to offer a one-stop shop for ALL of your licensing and education compliance needs. Quick and easy electronic license and renewal application service in ALL 50 States with a 10% discount! Instant approval notifications, get you licensed faster!

Receive a 10% discount on online license applications and renewal transaction fees (not applicable to state fees).

Visit www.iav.com under Education-licensing, or [follow this link](#). ■

► Help Job Seekers Out By Posting Your Career/Internship Opportunities



It is graduation season and you know what that means; soon those graduates will be out in the real world looking for their first job. If your agency or company is looking for new hires, you should post your career or internship opportunities on VAIA's Career Opportunity Board found at www.insurancecareerinstitute.com. The price to post is very reasonable and helps VAIA attend career fairs throughout Virginia to entice the next generation to join the insurance industry. **Pricing is as follows:**

◆ **1 Career Posting:**

Length of time on the board: 3 months
Price: \$50

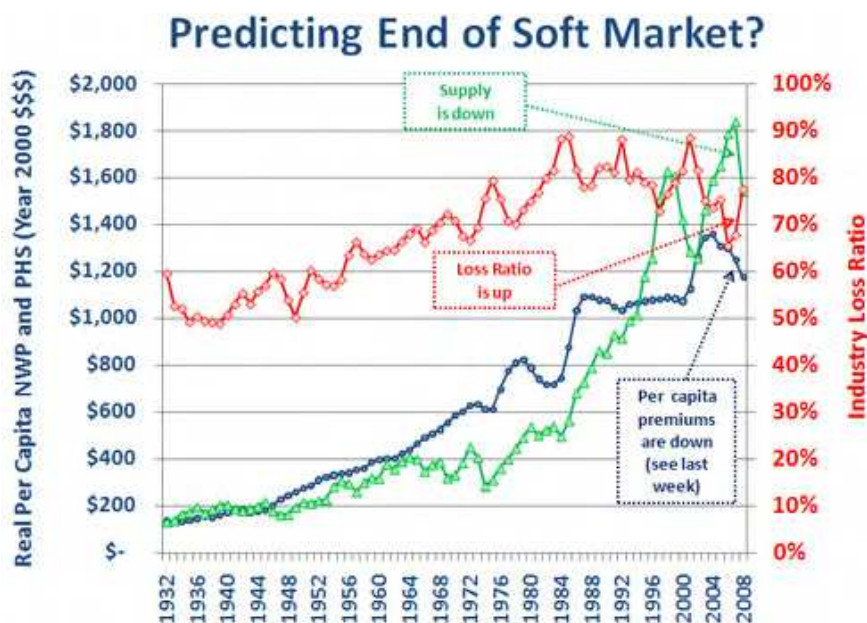
◆ **1 Internship Posting:**

Length of time on the board: 6 months
Price: \$25

Each time a new posting goes on the board, VAIA will email all of its contacts to inform them of the new career or internship opportunity. If you have any questions please contact Kristina Preisner, kpreisner@iiaiv.com. ■

► Predicting a Hard Market—The Numbers Provide a Revealing Forecast

By Paul Buse, president of Big "I" AdvantageSM and a licensed p-c agent



The soft market seems steeper and more prolonged than the two years of price declines indicate—approximately 0.5% and 1.5% for 2006-2007 and 2007-2008, respectively. However, when discussing hard insurance markets, it is best to clarify precisely what is being talked about. Independent agents are already seeing increasing prices in selected areas like catastrophe exposed property, but selective hardening in one area of the market is not generally referred to as a true hard market. The definition often used for a hard market is when overall p-c industry premiums increase by at least 5% above the inflation rate. Let's examine the classic economic factors that affect the prices of goods or services. That is, what is happening to the supply of insurance and what is happening to demand?

This graph, layered over a graphic of real per capita premiums (blue line) is an equivalent measure of real per capita policyholder's surplus (PHS - green line). The red line indicates the industry's loss ratio. These two measures clearly show a reduction in supply. PHS is required to backup each policy written and if PHS falls as the graph shows, the industry's ability to supply coverage is reduced. Conversely, as the industry's loss ratio increases, it tends to restrict supply as insurers are more cautious in taking on new policies.

On the other side of the industry pricing equation is the demand for insurance. Unfortunately this is not as easily measured. The industry is coming off a year of historic catastrophe losses with \$26 billion in wide-spread losses in 2008—the fourth worst year ever. On its own, that number would seem to motivate buyers to purchase coverage out of fear of similar losses in the future. Offsetting the influence of catastrophe losses, however, is the historic decline in the economy which should curtail economic activity and reduce demand. Workers' compensation, general liability and construction-related coverages like bonds are all tied to the overall economy.

So, you be the judge. Clearly there are supply challenges, and the question is whether demand will remain at levels close enough to the past to drive up prices due to the decrease in supply. This could signal a general market hardening in the near future.

Article reprinted with permission from IIBA Insurance News & Views, 5/6/2009. ■

► **IIAV is Taking a Trip to the Races**



Mark your calendar for Friday June 26, 2009 because the Young Agents are sponsoring an event at Colonial Downs in New Kent, Virginia.

Our group will be in the Jockey Club Restaurant overlooking the race track. You will also have access to the grandstand. Come out for an evening of fun and racing. This is a perfect event to bring your family and friends!

Thanks to our event sponsors: Imperial A.I. Credit, Jackson Sumner & Associates, Loudoun Mutual, Market Insurance, Sagamore Insurance, & ServiceMaster

Ticket price includes admission, parking, buffet dinner, three beverage tickets, race program, tip sheet and a whole lot of fun!

- ◆ Young Agents: \$28
- ◆ IIAV Members: \$38
- ◆ Non-members: \$60
- ◆ Children 6-10: \$18
- ◆ Children 6 and under: Free

[Register today by clicking here.](#) ■

► **Mark Your Calendar Now – 2010 Insurance Day on the Hill**



The IIAV Insurance Day on the Hill is planned for next year at the brand new Hilton Garden Inn Downtown Richmond. The event will be held February 9-10, 2010, a week before legislative crossover. Please mark your calendar now for this very important event. ■

IIAV provides a choice with the two largest providers of insurance agency E&O-E&O policies designed by independent agents for independent agents!



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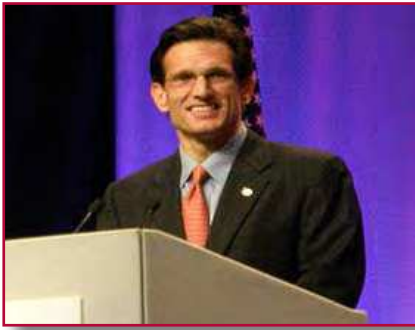
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► [Cantor, Tester Address Big “I” Members](#)

By Veronica DeVore, Big “I” writer/editor



Health care, the economy and insurance regulatory reform: those were the topics that were front and center during the 2009 Big “I” National Legislative Conference Breakfast. Attendees heard remarks from House Republican Whip Rep. Eric Cantor (R-Va.) and Sen. Jon Tester (D-Mont.) before heading to Capitol Hill to lobby lawmakers on issues important to independent agents and brokers.

Cantor, who was hailed by Big “I” President & CEO Bob Rusbuldt as a “rising star” in Congress and the new face of the Republican Party, thanked attendees for their presence and their role as advocates for customers’ needs.

“Your being here is very important,” Cantor told attendees. “We’re at a cross roads. I urge you to demonstrate that when you’re talking about being an independent agent,

connecting your clients’ needs with products out there is very important. A free market and a competitive situation is how you deliver and get the economy back again.”

Cantor also spoke about health care reform, noting that the doctor-patient relationship must drive health care reform and urged Big “I” members to deliver that message while on the Hill. “Health care affects everyone...and we have a marathon race between two very different visions,” said Cantor. “One is 100% coverage. But when we approach health care reform, think of the single mom...She wants the ability to choose her doctor, the ability to make sure her children can see pediatricians and the ability to choose a specialist for an elderly parent.”

Rusbuldt introduced Tester as a lawmaker who understands the needs of the small business community, including independent agents, farmers and entrepreneurs. Tester was recognized for his longstanding commitment to insurance regulation that works for both consumers and businesses.

Specifically, Tester stated his belief that regulation of insurance should remain at the state level, “just as it has for the last 140 years.” Tester, a farmer and former music teacher from a small town, said he is working on the Senate Banking, Housing and Urban Affairs Committee to put “common sense regulation” back into the financial sector. “Expanding federal reach is not always the answer,” he said. “We need to focus on targeted reforms and pass smart regulation that helps consumers. We need to regulate exotic securities, limit fees charged by credit card companies and ban sub-prime mortgages.”

Tester compared the ideal role of financial regulators to referees on a basketball court, stating that the best referee is the one who does his job unnoticed and sets ground rules to ensure a fair game for all players. “For the financial markets, we need to put the referees back on the court,” Tester said. “We need to put middle class families and small business ahead of Wall Street CEOs, and I want to work with you as we re-work Wall Street.”

Article reprinted with permission from *IIABA Insurance News & Views*, 4/30/2009. ■

► [VAPAC Statement](#)

VAPAC is the state political action committee which collects funds from the general membership for distribution to candidates who have proved interest in and support for insurance legislation; it studies voting records and accepts contribution recommendations from the Legislative Committee.



Contributions received in May, 2009:

- ◆ \$250 - Haun-Magrunder Ins – Woodstock
- ◆ \$250 - Leonard L Brown Agency Inc – Blacksburg
- ◆ \$250 - Manry Rawls Corp – Franklin
- ◆ \$250 - Virginia Commonwealth Corp – Richmond
- ◆ \$100 - Ball Martin Insurance Agency Inc. – Richmond
- ◆ \$100 - B H Baird Insurance Agency – Warsaw
- ◆ \$100 - DeJarnette & Beale Ins – Bowling Green
- ◆ \$100 - Dillon Insurance Agency Inc – Bassett
- ◆ \$100 - S L Nusbaum Inc – Norfolk
- ◆ \$100 - G H T Insurance Agency – Richmond
- ◆ \$100 - Service First Insurance Agency – Warrenton ■

► Keep Out of SPAM Folders



SPAM: The dirty four-letter word that drives everyone crazy. As we all try to eliminate SPAM, there are often times where e-mails that we want to receive become a casualty of our SPAM-filtering processes. Could your IIAV e-newsletter fall into that category?

Here are a few suggestions to make sure IIAV e-mail is not getting caught in your SPAM filter:

- ◆ If the SPAM blocking program being used has a setting of “Approved Senders” or something similar, try putting in just the ./ and the e-mail domain iiaav.com to specifically allow e-mail from this address.
- ◆ If the SPAM blocking program uses “Rules” that you can define, try specifically defining a rule that will allow an e-mail to be delivered if it has IIAV in the subject line.

Not yet on the IIAV mailing list? E-mail isperkins@iiaav.com with the word “subscribe” in the subject line. Include the following information in the message so we can properly identify your record in our database: first and last name, e-mail address, agency name, agency address and agency phone number. ■

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When you think flood, think Big “I” National Flood Office and Selective Insurance, rated ‘A+’ (Superior) by A.M. Best since 1961. Think consistent, excellent service. Think getting the right quote at the right time, online or off. Think doing it yourself or letting us do it for you. Think supporting your state association. Think it’s time to learn more? Visit us online or call **800-221-7917** today. We’re here to help you think flood insurance. www.independentagent.com/flood



► [Let VAIA Help You With Your Training Needs](#)



You have just hired a new employee but don't have the time to properly train them and keep up with your workload. So what do you do now? Enroll them in VAIA's six-week training program.

This summer from **July 13-August 19**, VAIA's six-week training program will take place. Here, students will learn insurance basics as well as how to work in an agency. Each week students will spend three days in the classroom and two days at an actual worksite to gain hands-on experience. This course will prepare students to enter the insurance workforce trained on how to use an agency management system, personal lines products, commercial lines, office etiquette and much more.

VAIA will hold an open house at the beginning of June to showcase this program to the public and insurance professionals.

To learn more about VAIA and the programs at the Insurance Career Institute, visit www.insurancecareerinstitute.com. ■

► [Free Webinar for IIAV Members—Best Practices Agency Secrets Revealed](#)



Over the last 15 years, the annual Best Practices Study, conducted by the Big "I" and Reagan Consulting, Inc., has examined the top-performing agencies across the country. For these agencies, inclusion in the study provides the prestigious status of being a Best Practices Agency and opens the door to many benefits.

The purpose of the Best Practices study is to compile the operating statistics of the country's leading agents and brokers. To achieve this objective, the agencies included in the annual study must first be nominated for participation by an insurance carrier or a Big "I" state association. The industry-wide nomination process is conducted every three years. Agency names can be submitted anytime during the three-year cycle, although new nominees are allowed to participate only at the start of a new cycle. The next study cycle begins in early 2010.

Nominated agencies are then notified and invited to participate. If they choose to do so, they must submit detailed financial and operational information which is analyzed, scored and ranked objectively for inclusion in the study on the basis of operational excellence including growth, profitability, productivity and financial stability.

In 2007, the start of the current study cycle, nearly 800 agencies around the country were nominated in six revenue categories ranging from "under \$1.25 million" in annual revenue to "over \$25 million" in annual revenue. More than 300 agencies submitted data, but only 195 agencies scored high enough to qualify for inclusion.

To retain its Best Practices Agency status, an agency must annually submit year-end results for review. There is no other commitment. Every third year, when new agency nominations are accepted, the agency must re-qualify as one of the top performers in their revenue category. Approximately 25% of the Best Practices agencies have retained their status for more than 10 years.

Participation in the Best Practices Study has become a prestigious recognition of the superior accomplishments of the top insurance agencies in each of the revenue size categories studied. To learn more about the process and how to prepare to participate in the upcoming cycle, visit www.iiav.com under Education and then Calendar and Webinars to [register for the webinar](#), "How To Become a Best Practices Agency," at **2 p.m. EDT, July 14**. ■

► [Local Insurance Professionals Earn ACSR Designation](#)

- ◆ Ms. Katherine J. Melton, ACSR, Bankers Insurance Wytheville
- ◆ Ms. Karla A. Swan, ACSR, Bankers Insurance Cabell Insurance of Culpeper

The ACSR designation recognizes the knowledge and dedication customer service representatives bring to the Insurance Industry. They assist agents in researching and providing the best combination of price, coverage and service to their clients. ACSRs have more product knowledge, better selling and account rounding skills and are highly prepared to provide clients with outstanding service. ■

► ACSR Spotlight—Pat Daniel



A career in insurance was out of the question for Pat Daniel, or at least that's what she thought. After working in her grandfather's Occidental Life Insurance agency in Baltimore one summer during high school, she couldn't wait for the summer to be over and to be done with insurance. Ten years later she found herself back in the business but this time loving it.

When Pat relocated to Charlottesville, Virginia in 1975 she began working at Cabell Insurance Associates as an office assistant. Six months later when one of the agents left, Pat got her license and took over the position. She stayed with Cabell Insurance (now Bankers Insurance) for more than 30 years as their personal lines manager. In 2007, Pat became the personal lines manager at Lee Insurance and has remained there. She thoroughly loves working in the insurance industry. Pat is a people person and enjoys the contact her job allows her to have with clients, other agents, and company representatives.

After being in insurance for over 20 years, Pat decided to earn her Property & Casualty ACSR designation. She then earned her Life & Health ACSR designation in 2006. Even with all her experience, Pat still learned something new from every ACSR class. She took a lot of ideas from the classes and implemented them at the agency. She highly recommends the ACSR series for everyone – no matter how many years of experience. In Pat's words, "The classes are packed with useful information and having a designation shows others that you have the training and qualifications to be a good insurance agent and advisor." She has also earned her CPIW and AIAM designations.

Soon after earning her first ACSR designation, Pat joined IIAV's ACSR committee. She served as ACSR committee chair for three years (2003-2006) and continues to be active on the committee today. In 2002, Pat's hard work in the industry was showcased when she received the Virginia ACSR of the Year Award. She has also served on agent advisory councils and taskforces for several insurance companies. She was a charter member of the NAIW Charlottesville chapter and was continuously active in that organization for many years.

The passion Pat shows for her career has carried over into her personal life. Her favorite community service project is "Christmas at the Cedars" which brings the spirit of Christmas to many residents of the Cedars Nursing Home in Charlottesville who do not have families to share the joy of the season with them. Pat has organized and chaired this event for almost 20 years. She is also very active in her church, Aldersgate United Methodist, where she has served on numerous committees and has been the church membership secretary for 15 years. She loves to read, cook, spend time with her family, and vacation at the Outer Banks. Pat is married to Jimmie Daniel, who is a retired federal law enforcement official. They have five children: Mark, Todd, Tracy, Mike, and Tim; five grandchildren (with #6 on the way); and seven "grand-dogs". Son, Todd, is now one of the owners of Lee Insurance, which makes Pat feel like she is part of the "family business".

Lee Insurance Services is a full service agency located in Charlottesville, Virginia, with twelve employees and a client base that stretches from coast to coast.

If someone in your office goes the extra mile, nominate them today for ACSR Spotlight at www.iiav.com. Nominations must be submitted by an agency principal, manager, or supervisor working at the employee's agency or company. ■

► Passing of George Griffith, Jr.—IIAV Past President

It is with tremendous sadness that we share the notice of the passing of IIAV Past President George Griffith. George had suffered with several ailments recently, but it was cancer that ended his gallant fight on May 14th. Mr. Griffith retired in 1988 after 37 years associated with Crowder & Holloway Insurance Company. ■



IIAV UPCOMING CLASSES

June-July 2009

IIAV offers many different types of classes to meet your education needs...

Designation Courses:

ACSR: Gives CSRs the technical expertise to maintain a competitive edge.

AIP: Learn the art of selling, negotiating, time management and relationship building.

AIAO: Are you going to be taking over an agency soon? Learn how to operate and manage an agency efficiently.

AAI: Increase commissions and improve your insurance knowledge.

CRIS: Learn about the insurance and risk management needs of construction projects and contractors.

AIMS: Improve communication, learn how to motivate, build teamwork & provide leadership. Great for both new and experienced supervisors & managers.

AIAM: Covers the full psychology of customer relationship and workflow management.

AFIS: The nation's only insurance designation on agricultural risks.

Licensing Classes: Property & Casualty and Life & Health licensing will be offered in Charlottesville, Chesapeake, Richmond, and Woodbridge.

Webinars: No need to travel outside the office with Wednesday Lunch-n-Learn webinars. The CE comes right to your desk.

VAIA Six-Week Training Program:

This summer VAIA is offering a six-week training program where students spend three days in the classroom and two days at an actual work site or at a job they currently have. The six-week course covers personal & commercial lines, using an agency management system, and more.

Sign up for classes & events - online at www.iiav.com. To register at member prices you MUST enter your member id and password. If you do not have this information please call IIAV at 1-800-288-4428.

All Over Virginia-Webinars:

[June 3 \(11:30-1:15\): Webinar Wednesday-Builder's Risk, 2 P&C](#)

[June 17 \(11:30-1:15\): Webinar-High Value Homeowners, 2 P&C](#)

[July 8 \(11:30-1:15\): Webinar-Personal Auto: Who Knew It Covered That Loss?, 2 P&C](#)

Charlottesville:

[August 17-21 \(9:00-4:30\): P&C Pre-Licensing](#)

Chesapeake:

June 22-26: Personal Lines Week-Classes can be taken *ala carte*:

[June 22-23 \(9:00-4:30\): ACSR Mod 1-Homeowner, 11 P&C](#)

[June 24-25 \(9:00-4:30\): ACSR Mod 2-Personal Auto, 11 P&C](#)

[June 26 \(9:00-4:30\): ACSR Mod 3- Dwelling Fire & Flood, 3 P&C, 3 L&R](#)

[June 26 \(1:00-4:30\): Flood Basics, 3 L&R](#)

July 13-17: Commercial Lines Week-Classes can be taken *ala carte*:

[July 13-14 \(9:00-4:30\): ACSR Mod 6 Commercial Property, 8 P&C](#)

[July 14 \(1:00-4:30\): Flood Basics, 3 L&R](#)

[July 15-16 \(9:00-4:30\): ACSR Mod 7 Commercial Liability, 8 P&C](#)

[July 16 \(12:45-4:30\): Workers Comp, 3 P&C & 1 L&R](#)

[July 17 \(9:00-4:30\): ACSR Mod 8 Commercial Auto, 6 P&C](#)

Richmond:

June 1-5: Commercial Lines Week-Classes can be taken *ala carte*:

[June 1-2 \(9:00-4:30\): ACSR Mod 6-Commercial Property, 8 P&C](#)

[June 2 \(1:00-4:30\): Flood Basics, 3 L&R](#)

[June 3-4 \(9:00-4:30\): ACSR Mod 7-Commercial Liability, 8 P&C](#)

[June 3 \(8:30-5:00\): AAI 82 C-Specialized Commercial Lines, 8 P&C](#)

[June 4 \(12:45-4:30\): Workers Comp, 3 P&C, 1 L&R](#)

[June 5 \(9:00-4:30\): ACSR Mod 8-Commercial Auto, 6 P&C](#)

[June 9 \(8:30-5:00\): CRIS-Commercial Liability for Contractors, 8 P&C](#)

[June 24 \(8:30-5:00\): ACSR Mod 9-Commercial Lines, 8 P&C](#)

[June 25 \(12:00-3:00\): Personal Lines for Affluent Clients, 2 P&C](#)

July 13-August 19: VAIA Six Week Training Program

[July 13-22: Two-week Personal Lines Program](#)

[July 27-August 12: Three-week Commercial Lines Program](#)

[August 16-17: P&C Pre-Licensing Review](#)

Williamsburg:

[June 18 \(8:30-5:00\): AAI 83 C-Agency Financial Management, 8 P&C/L&H](#)

Woodbridge:

[June 15-19 \(9:00-4:30\): P&C Pre-Licensing](#)

July 20-24: Personal Lines Week-Classes can be taken *ala carte*:

[July 20-21 \(9:00-4:30\): ACSR Mod 1-Homeowner, 11 P&C](#)

[July 22-23 \(9:00-4:30\): ACSR Mod 2-Personal Auto, 11 P&C](#)

[July 24 \(9:00-4:30\): ACSR Mod 3-Dwelling Fire & Flood, 3 P&C, 3 L&R](#)

For questions on classes please contact IIAV at 1-800-288-4428. A full schedule of classes and registration information can be found at www.iiav.com.

The Virtual University can be your one stop shop for all you educational needs. Whether you are looking for ACSR courses, classes on fraud, new hire training, basic C.E. courses or free classes on Microsoft Office programs look no farther then the Virtual University. Check out the new look of the Virtual University today at <http://bigivu.learn.com/learncenter.asp?id=178460>.

▶ IIV Past President Daniel J. Peacock, CPCU—1983-1984

By Danny Mitchell (dmitchell@iiv.com), IIV Membership/Marketing Director

This is the seventh in our series of conversations with former leaders of Independent Insurance Agents of Virginia. If you missed the previous articles you may find them on our website:

- ♦ Gerard Story <http://va.iiaa.org/Monthly%20Newsletters/1208%20Newsletter.pdf>
- ♦ Daniel J. Arris, AAI <http://va.iiaa.org/Monthly%20Newsletters/109%20Newsletter.pdf>
- ♦ Charles M. Morrison <http://va.iiaa.org/Monthly%20Newsletters/209%20Newsletter.pdf>
- ♦ George D. Griffith, Jr. <http://va.iiaa.org/Monthly%20Newsletters/309%20Newsletter.pdf>
- ♦ John L. Sim <http://va.iiaa.org/Monthly%20Newsletters/409%20Newsletter.pdf>
- ♦ Robert K. Nein, CPCU, CLU <http://va.iiaa.org/Monthly%20Newsletters/509%20Newsletter.pdf>



Daniel J. Peacock, CPCU, served as Independent Insurance Agents of Virginia President having been elected in 1983 at the convention in Bermuda.

He knew he wanted to be an “insurance man” at age six. Not a doctor. Not a fireman. Not a cowboy. At age six he had already set his sights on a career in the insurance business. What in the world would possess a child at that age to make such a commitment? Evidently, his father, George Peacock, was a most impressive and influential character.

Daniel J. Peacock was born in Milwaukee, Wisconsin. In those early formative years, Dan had literally followed in his father’s insurance footsteps by age six. Dan’s father had been with Agriculture Insurance Company of Watertown, New York. In those early years as a “field man” for the company, He would sometimes take little Dan on agency visits with him. That’s apparently all it took to convince Dan that this would be the life for him. He never looked back.

From Milwaukee, the Peacock family moved to Watertown, New York near Lake Ontario and Fort Drumm (Pine Camp back then) as Dan’s father became the insurance company’s Executive Vice President.

Peacock’s collegiate career was at the then all-male St. Michael’s in Colchester, Vermont where he majored in economics. It was in Vermont that Peacock met and married his wife, Marcia, in 1958. She was attending the University of Vermont. Dan is quite proud to proclaim that they’ve been married over 50 years.

Keeping in mind that Dan sought no other career other than insurance from an early age, it came as no surprise that he secured a job interview for a Fire Insurance Field Man position with Aetna in Glen Falls, New York right out of college. Dan recalls that, just as he was readying to be interviewed, someone yelled across the hall, “Hey, that’s George Peacock’s son.” Dan hoped that was a good sign.

Following the interview, Dan was just left in the building with no instructions. Dan asked others where he might grab lunch and was directed to the YMCA cafeteria across the street. As Dan walked across the parking lot, a Studebaker screeched to a halt beside him. Vaughan Peckman --- a Marine Insurance Vice President --- asked where he was going. Dan said Peckman was miffed that no one had invited him to lunch so he took Dan to the Home Office Executive Dining Room. Dan said it was as though he was headed to McDonald’s and wound up at Morton’s.

Dan got the job with a whopping annual salary of \$3,500. His first job location was in Hartford; later he was transferred to Detroit. After a time in Saginaw he was finally sent to Richmond as Marketing Manager in 1967.

While working in Richmond, Peacock served under several Aetna General Managers: Payson Lansley, Dick Dickerson and Chuck Longfield. Peacock recalls that under each manager, he’d always received exceptional reviews. However, one year Longfield reviewed Dan with an assessment that was less than the glowing reviews he’d always previously received. No satisfactory explanation was given to Peacock for the review. To make matters worse, there was not an accompanying raise. Then Longfield gave Peacock the rather unpleasant task of canceling the contracts of about 40 agencies across Virginia.

Shortly thereafter, Peacock was headed to Fredericksburg to call on Skip Freeman’s agency. Dan decided to make a slight detour and headed to Culpeper instead to approach one of the agencies he’d just canceled. Dan was quite familiar with the agency and asked if it was for sale. He received a positive response and the buy/sell negotiations began. This was in 1971.

(continued on next page)

(continued from page 12)

Out of the blue, Peacock was re-reviewed by Longfield, rated as “outstanding” and offered the raise previously withheld. Peacock informed Longfield that he wanted to stay on for six months and leave on December 31 as he was buying the Culpeper agency.



Dan purchased General Insurance Agency of Culpeper with a premium volume of about \$250,000. The agency had been owned by six gentlemen: an insurance agent; oil dealer; banker; teacher; contractor; and real estate agent. Each had a business insured through the agency. Peacock has since sold the agency and retired . . . sort of. To this day, Dan handles five accounts.

Always active in his profession and community, Peacock credits those many years of “being involved” to his participation with the Independent Insurance Agents of Virginia. He recalls becoming very active in the Field Men while in Detroit. In Saginaw, Dan rose to serve as local President of the Field Men. He also taught insurance at Michigan State University. It was during those years that he began his CPCU studies. Once settled in Richmond, he again became president of the Field Men and was heavily involved with United Way.

While with Aetna in Richmond, Dan was recognized by IIAV as Company Man of Year. He was also named Agent of the Year later, after becoming an agency owner. He proudly served as President of I-Day, as well. The Culpeper community offered many civic opportunities to serve. One of his favorites has been the time he’s served the Culpeper Memorial Hospital Foundation. He was on its board for nine years and served as President, too. A significant contribution for which he is most proud was helping to raise \$11 million for its new Heath Center.

Looking back on his time associated with IIAV, Dan valued the personal relationships most. “This industry,” claimed Peacock, “is filled with absolutely terrific, caring people. The industry is like a grand fraternity and friendships are solid and long-lasting.” He still maintains contact with many of those dear friends. Dan recalled that while with Aetna he recruited and brought into the industry such notables as Joe Tuck and Steve Harris.

He loved working with the various insurance committees, foundations and boards. Two years were spent working on the IIABA Education Committee. Dan thoroughly enjoyed his convention in Bermuda. Peacock praised IIAV for always electing terrific leaders and presidents. And like so many others, one of Dan’s most memorable insurance “moments” was being involved with the Association during Dwight Dillon’s election as IIABA President. After Dan’s term as President, he served on the VAPAC and NAPAC (political action) committees.

As IIAV President, there thankfully were not too many political or industry issues to be faced. However, one sticky issue dealt with a major carrier doing business with many agents across the state without licensed appointments. This was peacefully resolved after much intervention from the Bureau of Insurance.

In hindsight, Dan considers the advent of direct bill automobile insurance as having a huge impact on the industry and changing the way companies and agents conducted business. Agents initially detested direct bill for several reasons; they feared they were losing relationships with clients, and they perceived this action by the companies as a way to reduce commissions.

Today Dan can usually be found close to home with his wife. He once loved golf and vividly remembers insurance outings such as the two USF&G Open Pro-Ams in which he played. However, he has been forced to give up the game. Dan and Marcia now look forward to annual ocean cruises. Most recently they returned from a trip to Madeira, Lisbon, Barcelona, and Monte Carlo. These trips are “rewards to himself” for his newfound work with Pre-Paid Legal products and services. Forever the salesman, Dan just enrolled 100 employees at a local hospital and is working on a much, much larger group.

As a proud father, Dan boasts that his three children have each pursued careers in the insurance industry even though he insists he did not try to “steer” them into the business. His son Stephen remains with the Culpeper agency as a producer. Daughter Lynn-Ellen joined Cabell Insurance right out of UVA. After working with IIAV’s former education director, Judy Ronk, Lynn-Ellen was lured away and accepted a position in South Carolina where she is now a corporate vice president with Companion Liability. Another daughter, Maureen Scholz, is with McLean Insurance Agency in northern Virginia and was the first in the nation to receive the ACSR of the Year from IIABA.

With six grandchildren and perhaps more to come, there well may be yet another generation of Peacocks in the insurance business. There is no greater testimony to one’s life work than having so many family members follow in one’s footsteps. Good work, Mr. Peacock. ■

▶ [Lt. Governor Bolling Opposes Federal Regulation—Sends letter to Congressional Delegation](#)



Lieutenant Governor Bill Bolling has written a letter to the Virginia Congressional Delegation in opposition to the so-called National Insurance Consumer Protection Act which is currently being debated on Capitol Hill. H.R. 1880 would establish a new regulatory department for the insurance industry and establish an optional federal charter for insurance companies.

“Speaking both as Lieutenant Governor, and as someone who has spent his entire professional career in the insurance industry, I fear that this legislation could bifurcate insurance regulation, result in a quagmire of federal and state regulatory directives, erode key consumer protections, compromise state based guaranty fund coverage, and threaten the almost \$14 billion of premium tax revenue that is currently generated in Virginia,” stated Bolling in his letter. “In my judgment, the Virginia Bureau of Insurance does a very good job regulating the insurance industry.”

The NICPA was recently introduced by Representatives Melissa Bean (D-IL) and Ed Royce (R-CA) with the stated purpose of “creating a robust federal regulator for insurance to act as an alternative to the antiquated, non-uniform system of state insurance regulators currently in operation.”

“Having recently visited with our Congressional Delegation, we’re certainly pleased that Lt. Governor Bolling sent his letter,” noted IIAV President & CEO Bob Bradshaw. “There’s a lot of pressure on politicians to ‘do something’ in the area of financial regulation and the insurance industry is getting caught in the regulator net. We hope that Governor Kaine will join the Lt. Governor in support of state regulation.” ■

Criminal Background Checks

Did you know that Virginia law requires that a copy of the criminal history report be attached to the request order for an agent license? These background checks can be ordered through the VA State Police for a fee, but it could take up to 6 weeks to process!

Our promise: Once received, we will process and mail your request within 3 days; you will receive the original printed report via US mail (usually within 5 days of your request).

Our cost:

\$25 for IIAV members, payable to VFSC by agency check.

\$35 for non-members, payable to VFSC by money order/certified funds.

Please use the pricing and directions listed above and not those directly on the form for submission to VFSC.

Get your request form today, at www.iiav.com under Member Resources/ Member Services.

Please print and complete two (2) copies and remember they have to be notarized!! For questions, contact Kathy Davis at 1-800-288-4428 or 804-747-9300.

NOMINATE YOUR TOP PERFORMER TO BE NAMED IIAV'S 2009 YOUNG AGENT OF THE YEAR!

The “**Young Agent of the Year Award**” was established to recognize the outstanding contributions of a young agent member (under 40 years of age or in the insurance business less than 5 years). Nominations may be made by any IIAV member on the basis of an individual’s industry contributions, association involvement, continued professional growth, agency achievements and community activities.

**To nominate a Young Agent,
simply complete and return this form to IIAV no later than Friday, August 7th, 2009.**

I would like to nominate: _____

Employed by: _____

Reason(s) (optional): _____

Your Name (optional): _____

Your Agency/Company Name: _____

The dedication of your employees is the best reflection of the quality of your agency.
Nominate your top performer for the IIAV Young Agent of the Year!

The winner will be announced at the Young Agent Conference, October 22-23, 2009.

The winner will receive:

- \$250 cash award,
- an Award Plaque presented at the upcoming YAC conference, and
- registration to the 2010 YAC Conference.

Past Agent of the Year Award Recipients:



07/08
Shannon H. Dooley



06/07
Dawn M. Dotson



05/06
Lisa J. Campbell

8600 Mayland Drive, Richmond, VA 23294 • 1-800-288-4428 / 804-747-9300
dmattis@iiav.com • Fax: 804-747-6557 • www.iiav.com

► [Online Insurance Market Continues to Grow](#)

By Veronica DeVore, Big "I" writer/editor



Online insurance sales have seen unprecedented growth in the past year, with online auto policy sales up 7%, and a 71% increase in shoppers looking for insurance over the Internet, according to recent reports from research companies ComScore.com and All Web Leads. Insurance agents can position themselves to benefit from this trend by understanding the unique needs and qualities of customers seeking insurance online.

The 7% rise in auto sales reported by ComScore.com represents policies sold by five aggregator Web sites and 12 insurance company Web sites that include both direct writers and agent-based models. The data from All Web Leads is based on about 2.9 million consumers who searched for insurance online and requested contact from an insurance agent. While some online insurance searches exclude agents, many rely on an agency's ability to provide online quotes quickly and easily to a variety of demographics.

Younger adults (ages 18-34) have a significant online presence, representing 48% of online insurance customers. However, customers older than 35 actually represent the majority of online customers at 52%. According to All Web Leads, each category of online customers requires a different form of attention from insurance agents. Whereas younger customers are often best reached by e-mail and social networking tools, those older than 35 have already done business in more conventional ways and are looking for both a personal business relationship and fast results.

All Web Leads reports that 63% of customers seeking insurance online searched for health insurance, while 32% sought auto coverage and 5% looked for life insurance. Life insurance had the largest uptick in online customers, increasing by 109%, followed by auto insurance at 89% and health insurance at 62%.

Although the most online requests for insurance occur in the largest states, the number of requests adjusted for relative penetration is actually higher in smaller, more rural areas. People in smaller states are proportionally more likely to look for auto and health insurance online, which suggests the Web is penetrating some markets traditionally held by agencies.

Grier Bomar, secretary-treasurer of George Johnson Insurance in Spartanburg, S.C., says his agency differentiates itself from the online marketplace by focusing on selling multiple policy accounts, which many Internet sites do not offer.

"We want to write more than one line of business, and we want that account to stay with us longer," he says. "While it may be that we've seen some erosion from online policy sales, it's negligible."

Bomar admits, however, that competing with the online insurance marketplace presents some challenges. Customers who expect rapid service and quotes on the Internet expect the same from agencies, and Bomar's agency makes prompt responses to customer inquiries a top priority.

"If we get a request, our employees are under instruction to go to that person as quickly as possible," he says. "It's a different buying mentality. One customer recently moved her auto insurance to GEICO and when I asked her why, she said she can get them on Saturday afternoon. One way we can combat that is to be as quick on the uptake as possible. You can't call a customer back three days later and expect them to buy from you."

Article reprinted with permission from IIABA Insurance News & Views, 4/30/2009. ■

► [The Hanover Insurance Group Earns A.M. Best Upgrade: "A" Excellent](#)

A.M. Best Company announced that it has upgraded the financial strength ratings for The Hanover Insurance Company, Citizens Insurance Company of America, the companies of the AIX Group, and all of our subsidiary companies to "A" from "A-." This upgrade marks an important milestone for our company, when considered in light of the prevailing environment.

At a time when our industry is under unprecedented pressure and many of our peers are being downgraded by the rating agencies, our company is one of the few that have established positive ratings momentum. In fact, we are the only company in the country to be upgraded by A.M. Best, Moody's and Standard & Poor's over the past 15 months. *Press Release. ■*



Independent Insurance Agents of Virginia

2009 Young Agent Conference

Fredericksburg - October 22-23, 2009



Independent Insurance Agents of Virginia is hosting their annual **Young Agents Conference, October 22-23, 2009 in Fredericksburg**. Imagine being able to network with young agents from various agencies around the state in a relaxed, fun, educational environment. This will be a great opportunity for agency and company reps to socialize and build on the relationships already established.

Why Sponsor This Event?

- * Young Agents are the building blocks for future profits.
- * Name recognition on the program and signs at the event.
- * Your company will be supporting education for your agents.
- * Support agency producers, which is key to a company's marketing/underwriting staff.
- * Continue to build relationships with agencies.
- * Networking opportunity with Young Agents from around the state.

Sponsorship Levels Include: (Please indicate below your company's sponsorship level.)

- \$1,500**—*Listing as Grand Conference Sponsor, complimentary exhibit booth, two complimentary tickets for the event, and full page vertical ad (8.5X11) in conference program. Please indicate company representatives that will be attending: _____*
- \$1,000**—*Sign recognition, complimentary exhibit booth, half page ad in conference program, and one complimentary ticket for the event. Please indicate company representative that will be attending: _____*
- \$500**—*Sign recognition and quarter page ad in conference program.*
- \$250**—*Sign recognition.*

Company Name: _____

Mailing Address: _____

City/State/Zip: _____

Contact Name: _____

Email: _____

Check One:

Check to IIAV

MasterCard Visa Discover Amex

Card #: _____

Name on Card: _____

Billing Zip Code: _____ Exp. Date: _____

V-code : _____ Signature: _____

"THANK YOU FOR YOUR SUPPORT!"

Please return by August 7, 2009 to:

IIAV
8600 Mayland Drive
Richmond, VA 23294

Fax: 804-747-6557



Independent Insurance Agents of Virginia

2009 Young Agent Conference

Fredericksburg - October 22-23, 2009



Exhibit Table Request Form

Exhibit tables will be available on Thursday, October 22nd from 3 - 5 pm, preceding the Company/Agent Networking Dinner.

The cost for a table is only \$150.

(Includes two attendees at your booth. Does not include Networking Dinner; please register separately for conference events if interested.)

This is an excellent opportunity for companies to encourage young agents to learn more about their products and services.

YES, Our company would like to have an exhibit table at the IIAV Young Agents Conference!

Company Name: _____

Mailing Address: _____

City/State/Zip: _____

Contact Name: _____

Email: _____

Two Individuals Attending: _____

Check One:

- Check to IIAV Please Invoice Me
(payment must be received by Oct. 15.)
- MasterCard Visa Discover Amex

Card #: _____

Name on Card: _____

Billing Zip Code: _____ Exp. Date: _____

V-code : _____ Signature: _____

“THANK YOU FOR YOUR SUPPORT!”

Please return by August 7, 2009 to:

IIAV
8600 Mayland Drive
Richmond, VA 23294

Fax: 804-747-6557

► [Big “I” Readies Grassroots Initiatives for Health Care Reform Debate](#)

By Joe Wall, Big “I” senior director of federal government affairs



With the health care reform debate in Congress quickly escalating, the Big “I” has readied its nationwide grassroots initiatives to counter potential efforts to eliminate the role of agents and brokers in the sale and delivery of health insurance.

Health care reform legislation could have major implications on independent insurance agents as well as consumers. Any government effort to replace or supplant the private industry in the sale and delivery of health insurance will have disastrous effects on the health insurance marketplace.

A recent survey of the Big “I” national membership indicated that 62% of member agencies sell health insurance, and health insurance products account for more than 14% of agencies’ revenues.

To put in perspective the danger the independent agency system faces, consider these recent comments by Nancy-Ann DeParle, counselor to President Barack Obama and director of the White House Office of Health Reform:

“A public plan is something that’s sponsored by the government, and therefore has very low or almost nonexistent administrative costs, compared to others. It doesn’t have the need to have brokers out selling; it wouldn’t have the need to have a lot of costs and profits, the way private plans would. So it has that advantage,” she said.

Independent insurance agents have earned a role as a trusted advisor in helping individuals and employers navigate the challenges of the market to find and implement the best coverage to meet their needs.

An agent’s role does not start and end with the sale. Agents provide a wealth of resources to their clients. These services are not a duplication of the efforts of other health care providers or insurance companies but are necessary to help consumers with the complexities of the system. Independent insurance agents help their clients understand the market, not the reverse. Any effort by the federal government to cut agents out of the process will cause great harm to consumers, who depend on independent agents to be their advocate in the marketplace.

Your participation in the Big “I” grassroots effort is crucial. Only through our strength in numbers will we be able to preserve the independent agent’s role in the sale and delivery of health insurance that benefits so many consumers. Please participate in any grassroots requests on this subject that are sure to come later this summer.

Article reprinted with permission from IIABA Insurance News & Views, 5/6/2009. ■

► [Be Prepared for Hurricane Season ‘09](#)



Ohio Casualty offers a free Disaster Planning Guide to consumers at www.ohiocasualty-ins.com, under the Insurance Resources tab. The guide helps homeowners develop an action plan for evacuation, details what necessities should go into an emergency kit, and explains the importance of making a household inventory. Other important considerations include:

- ◆ Ask an out-of-town family member or friend to be your family contact. After a storm hits, anyone not able to get home should check in with that contact person;
- ◆ Bring objects such as patio furniture or toys into the house or garage. Secure large items such as boats or swing sets to the ground;
- ◆ Turn off circuit breakers, closing all doors and securing all windows; and
- ◆ If you evacuate, turn off electric, gas, and water utilities. If there’s a power loss, doing so will help prevent damage from an electrical surge once power is restored.

Being prepared for severe weather also means policyholders’ understanding whether or not they have the right insurance coverage. Homeowners who have experienced flooding in the past need to consider whether they should purchase flood insurance through the National Flood Insurance Program (NFIP). Losses associated with flooding are not reimbursable under standard homeowner policies. Homeowners in designated flood zones may also consider an excess flood policy as the NFIP dwelling coverage limit is \$250 thousand. *Press Release. ■*

► Estate Tax In Sharper Focus

By Dave Evans, a certified financial planner and IA I-h contributing editor

Ever since the 2001 Income Tax Act became law, there has been anxiety regarding the outlook for estate taxes. This is because the 2001 legislation passed with fewer than 60 votes in the Senate, triggering a 10-year “sunset” of the law’s provisions.

The Republican leadership at that time indicated they would work to repeal the “death tax” permanently. However, the attack on the World Trade Centers, the war in Iraq and Democratic gains in the House and Senate thwarted the permanent repeal of the estate tax.

Under the current Senate and administration, insurance agents and financial advisors have been looking for clues indicating the level of the estate tax exemption and the tax rate when the law sunsets in 2010. However, President Barack Obama has made it clear that he wants to freeze the current rules and not eliminate estate taxes in 2010. In fact, the Obama administration’s budget resolution, recently passed by Congress, would freeze the estate tax at the 2009 level, with a \$3.5 million per individual exemption and a 45% maximum tax rate indexed for inflation.

Whether this development is good news or bad news depends on one’s vantage point. For people with larger estates who had hoped for the eventual repeal of the estate tax, it will be bad news as it means estate and gift taxes are here to stay. However, once the 2001 law sunsets, beginning in 2011, the estate exemption would only be \$1 million per individual with a maximum tax rate of 55%. If the Obama administration proposal can be extrapolated into an exemption level and rate that will suffice during his administration, insurance agents are in a position to help their affluent clients with estate planning, and the goal of having adequate liquidity and the necessary funds to meet the estate tax obligation.

While it may seem that a \$3.5 million exemption threshold per individual is fairly high and won’t impact many people, the reality is the estate taxes will ensnare more Americans than just the very wealthy. Without adding planning, life insurance proceeds can be included in a decedent’s estate. So, take an example of a small business owner with a \$1 million dollar life insurance policy, a house worth \$800,000 (jointly owned), a business interest worth \$2 million and \$1 million in his retirement account. Let’s assume he dies a year after his spouse and that his includable estate is \$4.8 million. Subtracting the \$3.5 million exemption leaves a taxable estate of \$1.3 million which, at a 45% estate tax rate, creates a \$585,000 federal estate tax liability. This example’s outcome is regrettable because with adequate time and planning, such as moving the life insurance policy to an irrevocable life insurance trust (ILIT) and using the applicable estate credit available upon the death of the first spouse, federal estate taxes could have been eliminated.

Now is the time for agents to contact their clients and seek new clients to discuss how to deal with the proposed estate tax limits. In order to eliminate the proceeds of a life insurance policy from the includable estate of the decedent, all incidents of ownership need to be removed and a three-year period must have passed. Networking with attorneys and accountants to discuss the proposed limits and how best to position a client’s estate is a strategic move that should occur now. And, if agency principals have a potential estate/perpetuation problem created by the proposed limits, they should take action to address the agency’s needs.

Article reprinted with permission from IIBA Insurance News & Views, 5/6/2009. ■

► Helping Small Businesses Prepare for Disaster

Businesses should consider several elements in preparing for a disaster. Not only is it important to protect the staff, building, data and inventory of a company during a damaging event, it’s also critical to prepare a plan to continue operations after most everything is destroyed. A good plan may include provisions to relocate to a pre-identified site; retrieve data, including employee, customer and vendor records; and a way to operate efficiently with a smaller staff of key individuals.

FEMA provides a step-by-step approach to emergency planning, response and recovery for companies of all sizes in its “Emergency Management Guide for Business and Industry,” a checklist for business recovery and other “how-to” resources at www.fema.gov/business and www.ready.gov.

Protecting one’s property from flooding is not a concern strictly for residential property owners or renters. Business owners may consider purchasing flood insurance through the National Flood Insurance Program (NFIP) with the help of their local insurance agent. The proceeds of a claim payment are usually received within a very short period of time, allowing insured property owners to restore their normal course of business.

For questions concerning the NFIP, contact Linda Mackey at 1-800-221-7917, Ext. 5380; linda.mackey@iiba.net. *Press Release.* ■

From the Desk of... the President & CEO



► Health Insurance—Agents are Part of the Solution... Not Part of the Problem

Again it appears that policy wonks in Washington DC and elsewhere are looking at global health care and are planning to begin debating health care reform in earnest next month. And again it appears that insurance agents are in the cross-hairs of what is wrong with the current system and needs to be cut.

The past couple of years – and in no small part thanks to IIAV member Monty Dise – we have been very involved in working toward health care solutions in Virginia and seeking to find out what measures or ideas we can take here to increase the number of insured in Virginia. Both Monty and I stressed over and over again that agents can be an integral part of the education process on access to care and, if they are not included in the system, who do you think is going to communicate the multiple choices available to businesses, employees and individuals? We noticed in attempts by several other states to address the uninsured that the agent was excluded from the process and then there was great surprise when the proposed programs failed for lack of interest. Well, who's supposed to generate the interest?? 1-800-Government??

I tend to think that your IIAV professional staff is made up of some pretty knowledgeable people and we're desperately trying to find ways to help decrease our health insurance dollar, but comparing different policies and policy disclosures and comparatives is not something for the faint of heart. And if we threw in a government-run program on top of this – that's supposed to make the evaluation process easier?

While I'm sure there are some who presently recognize that the proposed structure of a private/government option is not going to work and that ultimately we'll have a single payer system and, deep down inside, they're working toward this end result, I'm also not looking for the so-called black helicopter. This isn't a conspiracy, but it's also certainly not a discussion of two opposing viewpoints. And unfortunately, I think I'm beginning to see a wide range of industry groups starting to say, "it's every industry for themselves."

Simply put, you're going to need to get involved and start calling your congressmen. What's going to happen to Worker's Comp if we move to a single payer, universal coverage system? How will that impact your agency? Who really is going to try and find out what's best for the consumer besides a dispassionate government employee? What positive input can we provide to our congressmen to demonstrate that we have something to offer as a solution to the problem of the lack of health care coverage to a wide range of the working uninsured?

The problem with health care crosses so very many industry groups that tackling it is going to require thoughtful, knowledgeable consideration and targeted measures that individually may not be popular. This process, of course, is something that Washington DC specializes in. And we're going to be surprised with what they come up with??

Respectfully submitted,


Robert W. Brubaker, Jr., FIDM
President & CEO

PS – Don't forget to register for the Williamsburg Convention June 14-16. You truly don't want to miss this important industry event. See you there!! ■

