

SPRING 2008

# SOUTH CAROLINA



*Agent & Broker*



*Flood Insurance - Friend or Foe?*

*Debunking Flood Insurance Misconceptions*

*Examine Excess Flood Insurance to Keep  
Tide of E&O Claims Low*

*Are You Paying Your Agents Properly?*

*How to "Live the Brand"*

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# SOUTH CAROLINA

*Agent & Broker*



Independent Insurance Agents



Brokers of South Carolina

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*On the cover/photo credits: The two cover photos were taken last spring in Columbia by staff member Anita Trevino when the Congaree River overflowed onto the city's greenway, known as The Riverwalk. The bottom photo is a well-known view by residents, the West Columbia Riverwalk overlooking the Gervais Street Bridge. Water lapped the first level of the amphitheater, covering the stage. The top is a view of the Riverwalk off the Blossom Street Bridge. In this edition there are three different articles on offering flood coverage to your clients: things to remember, common misconceptions and offering excess flood to prevent E&O exposure. For more information about the Big "I" Flood program with Selective Insurance, contact Linda Mackey - www.independentagent.com/flood, 800.221.7917.*

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& Brokers of South Carolina**

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# IIABSC Chairman of the Board

Jules J. Anderson, Jr., AAI



*Independent Insurance Agents*  
*Brokers of South Carolina*

**S**o you thought you were in the insurance business? It seems more like an auction sometimes!

The questions we hear from some of the underwriters are as follows:

“What do you need to write the account?”

“Can you get the last look?”

“What can you sell it for?”

Or one of my favorites, “I’ll give a 70 cent rate if you... I’ll go down as far as... but call me if you need more!”

Whatever happened to the so called “manual” or “ISO rates?” Does anyone out there care? I wonder...

...You can buy an auto policy from a lizard, a cave man, by mail, on the web, at a discount store, an over 50 group, an auto safety club, from a neighbor, from a blanket, a set of hands, an association, a phone, and last but not least an Independent Agent. Have I missed any? Probably so!

The State of Florida has entered the insurance business assuming more risk than the tax payers can fund in the event of a major catastrophe, and some over here think we are again competing with a residual market, the SC Wind & Hail Pool. But for the moment, the consumer is happy because the rates are low and there is availability.

Whether we are dealing with external or internal issues that affect our business, we need to keep in mind that these are not new challenges. Competition comes in many forms and will always be ever changing.

You might be thinking, “Jules, what’s your point?”

My point is let’s stop talking and begin an action plan. My plan is to first take a look at our own business. You might say “My Daddy started this business 50 years ago, and if it worked for him, it is going to work for me.” I would answer that by using a house analogy: Dad built a good solid structure, but after time, it will need repairs and replacements. Bring in someone who isn’t as close to the situation to evaluate your operation from top to bottom. Before you begin this process, get the commitment from all the major players that they be willing to take an open look at themselves and the agency operation. This look should include financing, commission splits, technology, office space, location, personnel, management and company partners. It will not be an easy process because the information gained from this review may cause you to make some very hard decisions.

We independent agents cannot allow ourselves to become complacent or stagnant. We must find ways to grow our business, prove to our company partners that we are the best distribution system that is available, and continue to challenge them to help us grow. As our “partners” in this process, the companies need to take a look at their products, technology (real time), delivery of the quote, and the final product, pricing and communication. Some of the companies have committed the dollars to technology and are delivering the product to the market as the consumer demands; others are still on auto pilot. Which one do you want to do business with?

I urge you to take advantage of the management tools that are available to you and make this the year you ACT and not be acted upon.

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## National Director John R. Braddy, CIC, AAI



Independent Insurance Agents  
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**D**uring the January national Big “I” board meeting a great deal of time was spent discussing the Trusted Choice branding issue. Apparently, the leadership in a very few states still do not understand the purpose of the new logo and the branding initiative. Fortunately, most states do understand.... and South Carolina gets it! As of January 2008, every member of IIABSC is also a member of Trusted Choice, subject to signing the Licensing Agreement and Pledge of Performance. Nationally, there are now almost 10,000 Trusted Choice agents and the number is growing monthly!

Some state associations fear the Trusted Choice logo will replace the beloved Big “I” logo. Alex Soto, Immediate Past Chairman and one of the fathers of Trusted Choice, put it very well saying “The Big “I” logo is well known and respected in the halls of Congress, among our state legislators and with our insurance companies, and identifies us very well as part of a strong national association representing more than 300,000 agents across the country. However, it does not identify us well with the average insurance consumer.”

The Trusted Choice brand is more than a logo! The cornerstone of our brand is the Pledge of Performance. As agents, we have not always done a good job identifying what separates us from our competition... the exclusive captive agents or the direct writers such as Geico. The Pledge of Performance is what we do as professional agents every day. We don’t always explain to the consumer how we provide access to multiple insurance markets along with the ability to help them make informed buying decisions to protect their financial futures. Add in 24/7 local advocacy and timely professional service and we have a combination of assets that no other insurance distribution channel can offer. This is how we should brand ourselves... and

Trusted Choice is the vehicle to tell this story! Use the logo -- but more importantly use the Pledge of Performance and “Live the brand!” (*Editor’s Note: Our Trusted Choice Chairman explains more about how to “live the brand” on page 30.*)

Another argument with Trusted Choice is that the national association will never be able to match the advertising dollars of major, national insurance carriers. Think of the national advertising dollars as seed money, which is added to state dollars to help with local advertising. But also consider the effect of each of the 10,000 Trusted Choice agencies spending an average of \$4,000 each for local advertising. I know many smaller agencies do not spend that much, but many larger agencies are spending many times that amount. However, this still produces forty million dollars a year in Trusted Choice brand advertising if we all commit to using the brand at the local level. Now we are making an impact!

Over the next few years there will be many more discussions about Trusted Choice at the national level. The brand is a good one and will become more widely known if we all work to make it happen in our individual towns and cities across South Carolina. I am proud that South Carolina has been a leader in implementing the brand.

Tell the story of what makes us better than our competition, get a copy of the “Live the Brand” step-by-step guide, use the Trusted Choice logo and explain the Pledge of Performance.

Unlike Starbucks, where the coffee is the same wherever you buy it, we are all different in the way we do business, but we all do the same thing... we provide professional service in providing our clients a choice in matching their insurance needs with the best insurance company to meet those needs. Live the brand daily!

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# IIABSC President

Frank Sheppard, AAI



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## Using Your Membership Investment

**E**arlier this year your agency renewed their Big “I” membership. During every dues renewal cycle, we take time to remind you of the many benefits and resources your agency has access to through IIABSC/IIABA membership. But are you really taking advantage of everything that is available?

Membership with IIABSC is an investment in the business future of your agency. You will get the most from your investment if you take the time to familiarize and understand what your association offers.

Regardless of all the emails, newsletters, magazines, Web site ads, faxes and snail-mail reminders that we send out, you and your staff still have to take some proactive steps to make sure you are using Big “I” services to their fullest potential. Remember – IIABSC benefits and services are available to all staff members of a member agency.

**First, make sure your agency information is up to date.** Do we have the correct contact information for you and your staff? Please make sure changes and updates are sent to us – you can submit that information to Sally Kluttz, [skluttz@iiabsc.com](mailto:skluttz@iiabsc.com).

**Next, make sure you are seeing our publications.** Did you receive a personal copy of this magazine? Do you see *Agent News*, our monthly email newsletter? How about *Benefits & Services*? All of these are available – for no extra charge – to agency staff members that

would like to receive them. Send your request to Anita Trevino at [atrevino@iiabsc.com](mailto:atrevino@iiabsc.com).

**Need answers to questions?** Many of you already call on us for answers to questions – whether they involve technical insurance issues, legislative matters, questions about the Department of Insurance or how to get help selling your agency. If you have a question, give us a try. Our staff is ready to help find you an answer.

**Next, check out our Web site – [www.iiabsc.com](http://www.iiabsc.com).** Here you can find the latest and greatest from IIABSC including news, education classes, conferences and meetings, products and services for your office and insurance programs for your clients.

From our state Web site, you can also access the IIABA national Web site with more information and resources. Here, you will want to make sure you visit The Virtual University, your one-stop shop for technical and business management information. IIABA also offers Big I Markets with insurance programs and products you can access for your clients. IIABA also offers agency automation assistance through Agents Council on Technology (ACT), Best Practices info, financial support from InsurBanc and much more.

Thanks for your investment in membership in IIABSC! Now make sure you are using it!

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# IIABSC Vice President

Becky McCormack,  
CIC, CPCU, AAI, CPIW



Independent Insurance Agents  
&  
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## Customer Service - "This Stuff Ain't for Wimps!"

**I**t's been pretty hectic in the Education department at IIABSC these last few months. Once again, a CE deadline was bearing down on our members and once again, many of them had put off the inevitable and were now scrambling to get their hours in before the May 1 deadline. In addition to the usual panic, there was also the new Ethics requirement to deal with. The phone was constantly ringing, the fax machine kept running out of paper, classes were filling up, waiting lists were getting long and tempers were getting short. Even our most stable and patient staff member, Mary Ellis, was struggling to maintain her usual upbeat and cheerful demeanor (and please don't ask her where you can find a little "sympathy" unless you're well prepared for the answer). But through sheer determination and a constant focus on the goal, we were able to assist most agents in fulfilling their requirements on time and hopefully they learned something in the process. Now that the mad rush is almost over, I have to look back and say, "this customer service stuff ain't for wimps!!"

Your agencies deal with customers every day and I'm sure that you know exactly what I'm talking about. Most of your customers have no understanding of the product you provide for them, which creates great stress even from the beginning. Add on top of that, in order for the product to "prove" itself, something bad has to happen to them. And what if they are fortunate enough *not* to have something bad happen to them – now they've paid a lot of money for a product they never even used. How are we supposed to find that magic "win-win" situation given this scenario?

The answer lies in customer service. *Excellent* customer service. While our customers often don't really want to buy our product, they know they need it to protect them in the event of an unexpected loss. It is up to us to make the experience as pleasurable and uncomplicated for them as we can so that they will remain a customer for years to come.

However, saying it and doing it are two different things. It takes constant attention and wholehearted devotion if we truly seek to provide our customers with the level of service they

desire. First, we need to be sure that we truly understand our customer and their needs. We may be providing what *we think* our customer needs, but how do we know? Have we asked them? Do we understand their business or their circumstances?

Second, we must identify how our customers want us to communicate with them. While our business world seems to revolve more and more around computers and email, do we still have customers who want to deal with us by "snail mail," fax, or phone? We may also have some customers who would rather have us email their policy to them in a PDF format rather than mail them a paper copy. Point is, communication styles vary – so are we adapting ourselves to our customers or are we making our customers adapt to us?

Third, excellent customer service is achieved by determining what our customers expect from us and whenever possible exceeding those expectations. The good news here is that we can actually help our customers in setting expectations by providing them with information on the services we provide and the time/process involved when they become a customer. This way their expectations are based realistically on how we do business, and we can give ourselves some opportunities to exceed the expectations we've helped them set.

Last, we have to remember that excellent customer service requires a team effort. Customer service is not a department or a title. It's an attitude that should be instilled in every member of our staff to find an answer for, or help a customer even if they aren't in "our section of the alphabet" or if our job title doesn't include the words "customer service."

We have to be ready to assist our customers when things go wrong and they're angry, or they're frustrated, and do it with a smile. We have to remember that it's all about them, and not about us. A quote I found, author unknown, put it this way – "Treat every customer as if they sign your paycheck – because they do."

Like I said, this customer service stuff ain't for wimps!

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# ARE YOU PAYING YOUR INSURANCE AGENTS PROPERLY? AUDIT YOURSELF BEFORE THE GOVERNMENT DOES IT FOR YOU!



By J. Hagood Tighe  
Fisher & Phillips, LLC



**O**wners of insurance agencies often ask questions about how to properly pay their insurance agents and other employees working within their business. Because of increased litigation in this area, you must ensure that all employees are properly classified and paid.

**The Basics:** Under the Fair Labor Standards Act (“FLSA”), employees are entitled to minimum wage and overtime pay (time and a half for any hours worked over 40 hours in a work week). Additionally, employers are responsible for keeping accurate records of all time worked on a daily basis for each employee.

As set forth more fully below, in limited circumstances, employees may be exempt from some or all of these requirements. These exemptions are narrowly construed. And, employers often mistakenly believe that employees are exempt simply because they view the employee as a “manager” or as being highly skilled, or merely because they have sales duties.

**Expensive Mistakes:** Mistakes in this area can be very expensive. Wage and hour litigation is on the rise. Some estimate that collective action lawsuits, which are class action lawsuits under the FLSA, are up 70% or more since 2000. Why the dramatic increase? These are claims that are easy for plaintiffs’ attorneys to litigate and they have a great incentive to do so – double backpay for up to three years plus attorneys’ fees!

**The Options Available:** The safest course of action is to designate employees as non-exempt. This means that the employees are paid at least minimum wage, they are paid overtime, and the employer is keeping accurate records of the time worked on a daily basis. These employees may be paid on either an hourly or a salaried basis. But, keep in mind, even if the employee is paid on a salaried basis, he still must be paid overtime for any hours worked in excess of 40 during a workweek. Outlined below are some other options considered by owners of insurance agencies.

**Executive Exemption:** An executive employee is one (1) whose primary duty is the management of the enterprise in which he is employed or of a customarily recognized department or subdivision of that enterprise, (2) who customarily and regularly directs the work of two or more other full-time employees (or their equivalent), (3) who has the authority to hire or fire employees or effectively recommend the same, and (4) who is paid at least \$455 per week on a salary basis. “Salary basis” generally means the employee receives a predetermined amount for any workweek. It does not include commissions, incentives, or other compensation.

Therefore, if you have a manager who supervises two full-time agents, or four part-time agents, they may qualify for this exemption if they meet the other three requirements outlined above. Most agents will not fit into this category.

**Administrative Exemption:** An administrative employee is one (1) whose primary duty is office or non-manual work which is directly related to the management or general business operations of either the employer or the employer’s customers, (2) whose primary duty includes the exercise of discretion and independent judgment with respect to matters of significance, and (3) who is paid at least \$455 a week on a salary basis.

In large agencies, there may be an office manager or other manager who qualifies for this exemption. However, secretaries, clerks, sales people, customer service representatives, and most other employees do not normally qualify for the exemption.



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**Outside Salesmen Exemption:** An exempt “outside salesman” is one (1) whose primary duty is making sales or obtaining orders or contracts for services or for the use of facilities, and (2) who is customarily and regularly engaged away from the employer’s place(s) of business in performing that duty. There is no requirement that such employee be paid in any particular way. Therefore, this could be a 100% commissioned employee. However, pay particular attention to the second requirement for this exemption. Customer service representatives and licensed agents who generally work in the office and only occasionally visit customers or prospective customers do not qualify for this exemption.

**Retail Exemption:** Another common error is the assumption that paying an employee on a commissioned basis means that the employee is exempt from the FLSA requirements, discussed above. There is an exemption known as the “retail” or “Section 7(i)” exemption that applies to certain types of retail sales. However, the Department of Labor has included insurance businesses on a partial list of establishments that it believes lack a “retail” concept necessary to qualify for this exemption. While the DOL interpretation is not binding on the courts, the DOL interpretation makes use of this exemption risky in the insurance industry. Fisher & Phillips has requested that the DOL issue an opinion letter acknowledging that today the insurance business

can be of a “retail nature.” Unfortunately, there is no indication as to if or when such an opinion will be issued.

**Independent Contractors:** In some cases, insurance agents are classified as independent contractors. Such a classification may be risky and should only be used after careful consideration with legal counsel, especially since an individual’s status could be different under different laws. Independent contractors are not covered by the FLSA. However, if an individual is mistakenly classified as an independent contractor, then as a result of litigation or an IRS or DOL audit, the employer may be subject to significant damages, back taxes with interest, and penalties. Another risk of hiring independent contractors is that they can sue you for negligence if they are injured on the job. This is something employees covered by workers’ compensation normally cannot do.

To determine whether an individual is an “employee” under the FLSA or an independent contractor, the courts generally look to see whether the independent contractor follows their own trade, business, or profession – in other words, they are looking to see whether the individual is in business for themselves. While there is no single, clear-cut test for classification, there are a number of factors that are generally looked at to determine whether an individual is properly classified as an independent

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*B.S. Occupational Safety & Health  
OSHA Construction Outreach Trainer*

contractor. For example, the IRS is more likely to classify an individual as an independent contractor if he:

- Can earn a profit or suffer a loss from the activity.
- Furnishes the tools and materials needed to do the job.
- Is paid by the job.
- Works for more than one client company at a time.
- Invests in equipment and facilities.
- Pays his or her own business and travel expenses.
- Hires and pays assistants.
- Sets his or her own working hours.

On the other hand, the IRS is more likely to classify the individual as an “employee” if he or she:

- Can be fired at any time by the hiring company.
- Is paid by the hour.
- Receives instructions from the hiring company.
- Receives training from the hiring company.
- Works full-time for the hiring company.
- Receives employee benefits.
- Has the right to quit without incurring liability, and provides services that are an integral part of the hiring company’s day-to-day operations.

While the parties may enter into “independent contractor” agreements, this alone is not determinative. For example, if an insurance agency employs an individual as an independent contractor, but exercises significant control over the individual, the individual is likely to be classified as an employee. Additionally, independent contractors typically provide their services to more than one business. Therefore, if the insurance agency restricts the independent contractor’s ability to sell insurance for other insurance agencies, this would be an indication that the individual is an “employee,” and not an independent contractor.

**It’s Time For An Audit!** The information contained above is only a general overview of very complicated legal issues. Because of the significant increase in litigation in this area, and the potential liability, employers should consult with employment counsel and review the classifications of employees to ensure all are being paid properly under the FLSA and relevant state law.

*Hagood Tighe is a Partner in the Columbia office of Fisher & Phillips LLP. Hagood is a regular speaker at IIABSC events. He concentrates his practice exclusively in the labor and employment area. He can be contacted at (803) 255-0000. Fisher & Phillips is a labor and employment law firm working only on behalf of management.*

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# Flood Insurance...

## FRIEND or FOE?



*By Terry Tadlock, CIC, CPCU  
CIC Education Consultant  
Tallahassee, FL*

**W**ell, it's that time of the year again. As spring and summer approach we will see the rainy season create havoc with our property owners, not to mention the risks associated with hurricane season. This article is intended to get our thoughts and perhaps our marketing strategy focused on offering Flood Insurance to our clients. We will look at three primary areas of concern:

1. Who should be offered Flood Insurance,
2. Coverage differences between the Dwelling Flood Policy and Homeowners Insurance, and
3. Rules that make writing Flood Insurance a challenge.

### **Who should be offered Flood Insurance?**

This is a very controversial question that you need to answer in your agency. There are many schools of thought that range from "we only sell it to our clients as an accommodation when they request it" to "every single property owner we insure gets offered Flood Insurance."

I don't know where your agency falls into this range, but I

would tend to lean toward the later. Obviously, every property account you write does not need Flood Insurance, but how do you, or even the property owner for that matter, know?

One of the problems we face is that mortgage companies will only assist you in the marketing of Flood Insurance if they are located in a special hazard area. If the property is located in these areas that are subject to flooding, the mortgage company will require the property owner to purchase coverage. But unfortunately a high percentage of flood claims take place in areas that are not in a special hazard area. Could an agent be criticized if a flood claim occurs to property insured by your agency where no Flood Insurance coverage was offered or written? The answer is yes!

Flood is an exposure that our clients face. We never know where a flood will take place or which clients will be affected. A simple solution is to issue a flood quote with every property policy written. Explain the exposure to your clients and allow them to make an informed decision and document your file. For an example of a form to document when you offer excess flood and the client refuses, see page 22 of this magazine.

**The second issue involves the coverage differences between the Dwelling Flood Policy and the Homeowners Policy.** Whether we write a stand-alone Flood Policy or combine



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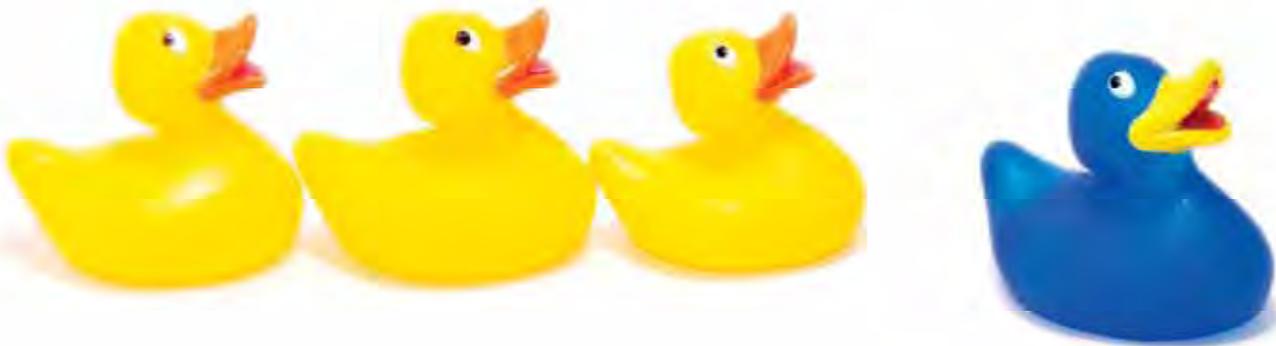
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it with the Homeowners sale, we need to explain the important coverage differences. Is it possible that an insured believes that a Flood Policy contains the same coverage found in the Homeowners Policy, except for the fact the Flood policy covers the peril of flood? Based on the conversations I have had with some clients, I believe they can. Listed below are some of the major differences between the two policies.

- Flood policies limit the maximum amount of coverage to \$250,000 on the dwelling and \$100,000 on contents. If you insure homes with higher values the insured must be told of this limitation. The agent may also want to seek excess flood coverage through another market.
- The only Other Structures coverage offered is on detached garages. Any other detached structure requires a separate flood policy.
- If a flood is confined to a single premise, the flood must inundate 2 acres in order to trigger coverage.
- Additional Living Expense is NOT covered in the Flood Policy. The Homeowners policy pays up to 10% of the Dwelling coverage for this exposure.
- Economic losses such as Fair Rental Value of rented premises are not covered. This is included in "Loss of Use" coverage in the Homeowners policy. If your insured rents out a room in their house or insures rental property, this coverage (or the lack of) should be explained.
- Building Ordinance coverage is NOT included in the Flood policy. The National Flood Insurance Program recently added up to \$15,000 coverage for what they call "Increase Cost of Compliance." This coverage is not the same as Building Ordinance Coverage. The new coverage pays for the increase in cost to comply with flood plan management ordinance issues only.
- Other Structures (detached garages and carports) are covered up to 10% of the Dwelling limit; however, it is NOT an additional limit of insurance. These losses reduce the amount that can otherwise be paid on the same Dwelling claim.
- Personal property is NOT covered worldwide. It is only covered while inside of the insured dwelling. Contents that are not used to maintain the structure must be elevated above the lowest grade level. There is no coverage for personal property located in a basement. There is also no coverage for personal property in an open-sided storage area (example: a house built on pilings has storage area built in under the lowest floor of the house). This problem has been a serious one for homes located on the coast.
- Review the list of personal property that is limited to \$500. This list is much broader than the list found in the Homeowners policy.
- Fences, retaining walls and swimming pools, just to name a

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few, are NOT covered in the Flood policy.

This list is certainly not all of the differences between the Flood and Homeowners policy, but does contain most of the problem areas I have seen. Review the Flood policy carefully to identify any other exposures that may need to be addressed for your clients.

**As if the coverage differences are not enough, there are also some rules differences that your client needs to know about.** The following is a list of the ones that seem to be causing the most problems.

- Flood insurance policies have two deductibles. One deductible applies to the Dwelling (\$500) and another deductible applies to Personal Property (\$500). In instances where both Dwelling and Personal Property is damaged in the same claim the client will be hit with \$1,000 in deductibles.
- The Flood policy does have replacement costs on Dwelling coverage. However, if the insured does not occupy the dwelling more than 80% of the time, the loss will be paid at ACV. This issue needs to be discussed on rental property as well as secondary residences.
- Agents do NOT have binding authority of Flood insurance. The policy will go into effect on the 30<sup>th</sup> calendar day after the application with premium is received by the NFIP. The only exception to this rule is where a closing on a new home

or refinancing is scheduled. Then the coverage is effective the date and time of the closing.

I realize that Flood Insurance is not as glamorous or sexy as other property insurance coverage we may sell. But, it is a vital exposure for our clients to understand and purchase. I hope this “discussion” has given you some food for thought as your agency gears up for what is inevitably in store.

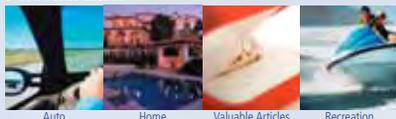
*Terry is President of Florida Insurance Educators Inc., an insurance education and consulting firm. Terry currently holds a Certified Insurance Counselor (CIC) designation and is a National Faculty Member of the Society, serving as our state Education Consultant for the National Alliance for Insurance Education & Research. Terry also holds a Chartered Property and Casualty Underwriting (CPCU) designation. In addition, Terry has spoken at state conventions and written several publications for state and national insurance industry associations.*

*Terry spent most of his career as the principal of an independent insurance agency in Florida. He also worked with the Florida Department of Insurance as the Administrator of Agents Licensing, where he supervised the creation of all state insurance examinations and represented Florida on the National Test Development Committee, which sets standards for agents' licensing examinations.*

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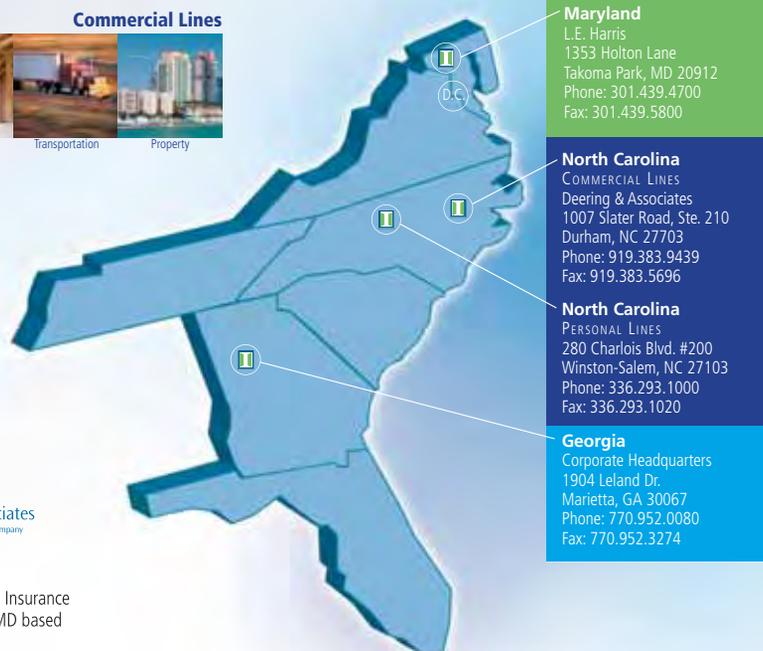
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# Examine Excess Flood Insurance to Keep Tide of E&O Claims Low

By Jim Redeker, J.D., Swiss Re Assistant VP, Professional Advisors

**E**xcess flood insurance is flood coverage that is available in excess of the limits offered by the National Flood Insurance Program limits of \$250,000/\$100,000 for homeowners and \$500,000/\$500,000 for commercial properties. (Congress is looking to raise these limits, so always check the amount of coverage available under the NFIP before making recommendations to your clients.)

Every time you have a client who purchases the maximum limit of flood coverage offered by the NFIP, you should be prepared to offer additional flood coverage from the excess flood market. (Of course, this presupposes that you have offered NFIP coverage, which you should do regardless of whether the mortgage company requires it.) Make notes that you offered both flood and excess flood coverage to your client. If the client decides not to purchase the coverage, follow up with a letter memorializing your recommendation and his or her refusal. If you have your clients sign a checklist of coverages they desire, make sure both flood and excess flood coverage are on the list.

Why should agents offer excess flood coverage? A professional insurance agent will want to protect the agency's clients to the fullest extent possible. Additionally, you are protecting yourself and your agency by documenting your files where the need for excess flood coverage is indicated. Finally, you do not want to



Photo by: Liz Roll/FEMA News Photo

## Sample Flood Insurance Acknowledgement Form

Here is a sample of what your agency's flood insurance acknowledgement form could say:

*Standard property policies, including but not limited to homeowners policies, dwelling policies or commercial property insurance policies, exclude coverage for flooding events.*

*As your insurance agency, we strongly recommend that you purchase flood insurance and excess flood coverage if values exceed the maximum coverage available on the primary policy. It is possible that coverage as recommended below may not be available from the carriers we represent.*

*I hereby acknowledge the acceptance, rejection or unavailability of flood and excess flood coverage as indicated below. It will be conclusively presumed this election, rejection and/or acknowledgement of unavailability will apply to all future renewals, continuations, changes or replacements thereof.*

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Applicant's Signature Date: \_\_\_\_\_

Address of Property: \_\_\_\_\_

Agent/CSR Signature Date: \_\_\_\_\_

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be that agent, sitting in front of the jury, trying to explain why you did not offer excess flood coverage to your client, who, to compound all her problems associated with losing her home in a flood, is also facing a very large uninsured loss.

Excess flood coverage is generally found in the surplus lines market. Therefore you will need to identify and affiliate yourself with a surplus lines broker who has access to the excess flood market. You should familiarize yourself with the product and the requirements for obtaining excess flood coverage because it is not as readily available as coverage under the NFIP. In fact, excess flood coverage is not available for all properties.

If you have a customer who is underinsured following a flood loss, her attorney may assert that you neglected to offer excess flood coverage and file suit. Following Hurricane Katrina, one of the most troublesome allegations against New Orleans insurance agents was failure to offer excess flood coverage.

The following scenario shows why these claims are difficult to defend:

Your client, a homeowner, insures her home for \$2.5 million and her contents for \$1 million. She also purchases the maximum flood coverage from the NFIP, \$250,000/\$100,000. Her home is then destroyed by a flood and her homeowner's carrier denies the claim because the flood is not a covered peril. The NFIP steps forward and pays out policy limits of \$250,000 on the home and \$100,000 on the contents. Thus, your client receives \$350,000 on her \$3.5 million loss.

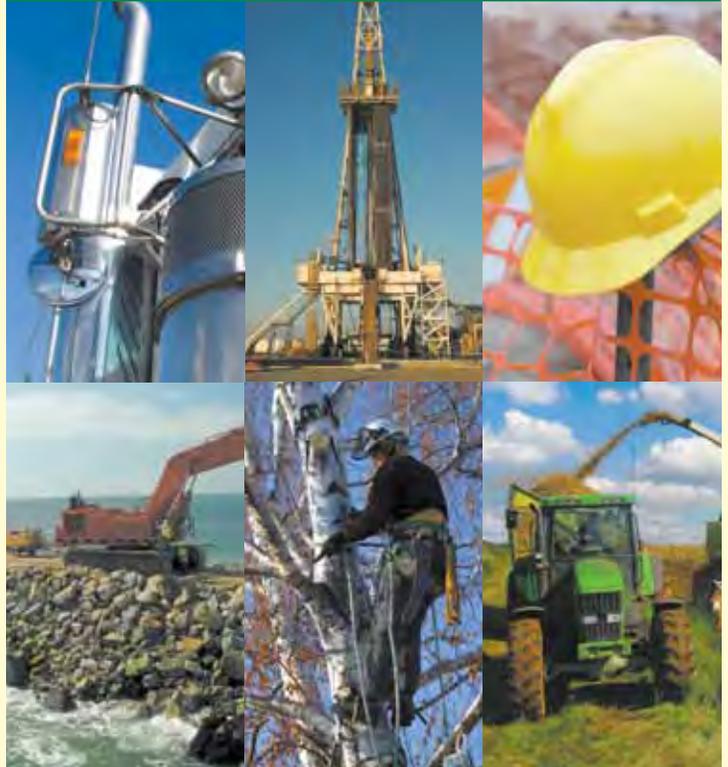
Your client files suit against you, her insurance agent, looking to recover the \$3,150,000 outstanding balance of her loss. The trial will be decided by 12 jurors, all of whom either suffered storm losses or know someone who suffered a storm loss and are unhappy with the handling of their claims by their insurance companies.

Your client will take the stand and testify that she purchased every coverage you offered to her. You told her that she purchased the maximum amount of flood coverage available. She testifies that had she been offered Excess Flood Coverage, she would have purchased it, as she had purchased all of the other coverages.

As her insurance agent, it is now your turn to take the stand. What will you say?

*Jim Redeker, J.D., is Swiss Re's assistant vice president, professional advisors. For more information on the SC Big "I" Professional Liability Program, visit [www.iiabsc.com](http://www.iiabsc.com) or contact Charlene Bernotas in the IIABSC office 803.731.9460, [cbernotas@iiabsc.com](mailto:cbernotas@iiabsc.com).*

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***Russ Fender, President and owner of the Wannamaker Agency, Inc. in Orangeburg, SC is no stranger to risk management.***



A Citadel grad, former Army Officer, Apache Helicopter Pilot, Ironman Tri-athlete and underwater artifact hunter, Russ is accustomed to making crucial decisions. When presented with the opportunity to join the South Carolina Agent Network (SCAN) in 2001, Russ comments "the benefits for both my agency and my clients made it an easy decision to join. SCAN facilitated several insurance company appointments for my agency, all of which provided me with very reasonable volume commitments. This allowed me to diversify the agency carrier base without risky book rollovers and having to rob Peter to pay Paul." In regards to compensation, Russ points out "we've been able to grow considerably and we earn higher commissions and greater overrides than before. Until I joined SCAN, I often felt like an island. Since joining, although I have remained completely independent, I have the support and resources of a much larger operation that partners with top notch insurance companies, such as Travelers, Hartford, Montgomery, Central Mutual, and many more. The strength of the carriers and the benefits of partnering have allowed us to open a new office in Santee, SC. SCAN has provided my agency the resources that we needed to grow to the next level!"

**For more information about how a relationship with SCAN could benefit your agency call Diane Wagner at (864) 278-0160 or email [dwagner@scagentnet.com](mailto:dwagner@scagentnet.com). Also check out the website at [www.scagentnet.com](http://www.scagentnet.com).**



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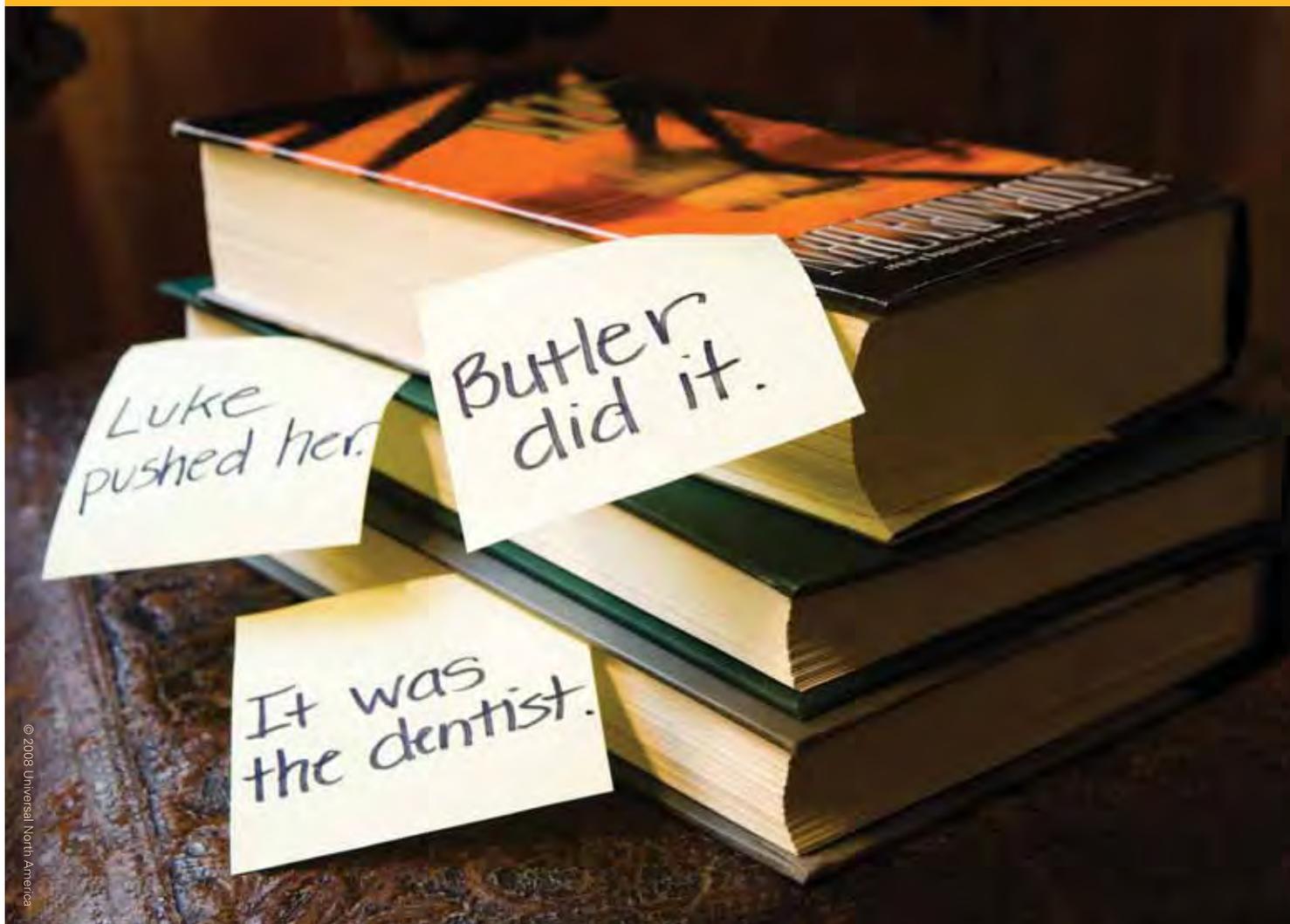
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# Debunking Flood Insurance Misconceptions

Photo by: MARVIN NAUMAN/FEMA News

By Matt Rengel, GE Insurance Solutions Claims Counsel

**S**ince 2005's devastating hurricane season, the National Flood Insurance Program (NFIP) and the individuals tasked with administering the program to residential and commercial policyholders have received much attention. As an independent agent, your participation in procuring this coverage for clients places you at the forefront of this program.

Perhaps the most prevalent misconception regarding flood insurance involves the mandatory 30-day waiting period for coverage to be effective. While it is true that the program does maintain a 30-day waiting period, it is not a total bar to procuring such coverage immediately before a flood. The NFIP recognizes a couple of exceptions that may allow clients to secure the coverage immediately. First, the program will waive the 30-day waiting period if the initial flood insurance purchase is in connection with making, increasing, extending or renewing a loan. The coverage is deemed effective at the time of the loan provided that the application and payment is made at or prior to the closing of the loan. Secondly, if the initial flood insurance purchase occurs during the 13-month period following the effective date of a revised flood map for a community, there is a one-day waiting period.

Another misconception is that you cannot buy flood insurance if you are in a high-risk flood area. The NFIP, established in 1968, provides homeowners and businesses with the ability to secure coverage for flooding generally irrespective of location. If your community participates in the NFIP, you can purchase the coverage no matter where you live. The only exceptions are locations that comprise the Coastal Barrier Resources System (CBRS) and Otherwise Protected Areas (OPAs).

The CBRS and OPAs are composed of coastal barrier areas that could be developed or are undeveloped along all coastal lines. This initiative targets minimizing loss to human life by discouraging development in high-risk areas, reducing wasteful expenditures of federal resources and preserving the ecological integrity of these federally designated areas. Lloyds syndicates usually underwrite coverage, which is only available via an excess or surplus lines market. If you are working with property owners who own land in or around the CBRS, take that extra step to determine if the property is subject to the NFIP exception.

A third basic misconception is that flood insurance is only available to homeowners. However, the NFIP provides nondiscriminatory protection. The NFIP's coverage extends to



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homes, condominiums, apartments and commercial or non-residential buildings. Under the terms and conditions of the program, it affords a maximum of \$250,000 of building coverage for single-family residential buildings and a maximum limit \$250,000 per unit for residential condominium association buildings. The limit for contents coverage on all residential buildings is capped at \$100,000. In regards to commercial/non-residential structures, the structures can be insured up to a limit of \$500,000 for the building and \$500,000 for the buildings contents.

Additionally, many policyholders believe that Federal Disaster Assistance will provide for flood damage even when they do not maintain flood insurance for themselves. The Federal Disaster Program will only provide coverage to uncovered individuals or businesses if the affected area is declared a federal disaster area. But only about 50% of all flood events are declared federal disasters by the president. The average award of about \$4,000 typically is in the form of a Small Business Administration loan that must be repaid with interest, and the disaster victim must agree to carry flood insurance for the life of the loan.

As an independent agent, anticipate and provide for your clients' needs by keeping current with the NFIP's limitations and conditions. The Federal Emergency Management Agency's Web site ([www.fema.gov](http://www.fema.gov)) is a quick and accurate resource for all your flood insurance questions.

*Matt Rengel is claims counsel for GE Insurance Solutions, the former endorsed carrier for the Big "I" Professional Liability.*

*Sourced from: "Myths and Facts About the NFIP," (last modified June 30, 2005)*

[www.fema.gov/nfip/myth.shtm](http://www.fema.gov/nfip/myth.shtm).



## Turn to Big "I" for Coverage

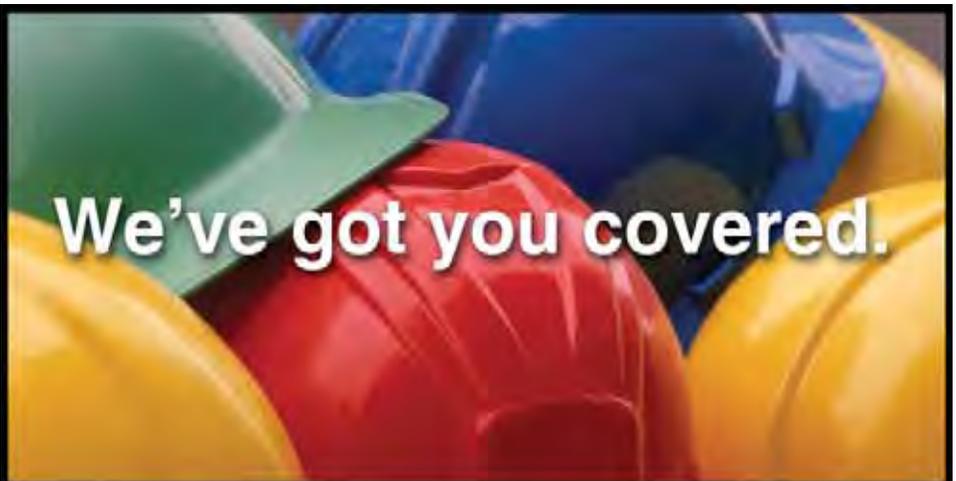
**The Big "I" continues to work with lawmakers to bring positive reform to the NFIP that benefit consumers and agents alike. Big "I" Advantage, IIABA's insurance licensed subsidiary, offers member agents the Big "I" Flood Program with Selective Insurance, a National Flood Insurance Write-Your-Own company (WYO) for NFIP.**

**"As a managing general agency for Selective, we can provide competitive commissions and, more importantly, provide hands-on tutelage and guidance for members who are not overly familiar with flood insurance," says Linda Mackey, CIC, CISR, AAIAM and manager of the Big "I" Flood Program.**

**"There are no volume requirements and registering is easy. There are multiple options for accessing coverage, and agents can even receive a direct contract with Selective."**

**For more information on the Big "I" Flood Program, go to [www.independentagent.com/flood](http://www.independentagent.com/flood) or contact Linda Mackey, 800-221-7917 or [linda.mackey@iiaba.net](mailto:linda.mackey@iiaba.net).**

—M.R.



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- Employers' Practices Liability
- Event Liability
- Executive Liability (Wrap+)
- Financial Advisors' E&O
- Flood Insurance
- Medical Malpractice - Allied Health Groups
- Medical Malpractice - Physical Therapists
- Medical Malpractice - Students
- Miscellaneous Professional Liability
- Non-Profit D&O Liability
- Real Estate E&O
- Recreational Vehicles
- Restaurant Program
- Technology Consultants Professional Liability
- Workers' Compensation

#### Personal Lines:

- Affluent Package Program
- At-Home Business
- Event Liability
- Flood Insurance
- Gap Insurance
- Marine Insurance
- Personal Excess Policy
- Personal Umbrella Policy
- Recreational Vehicles

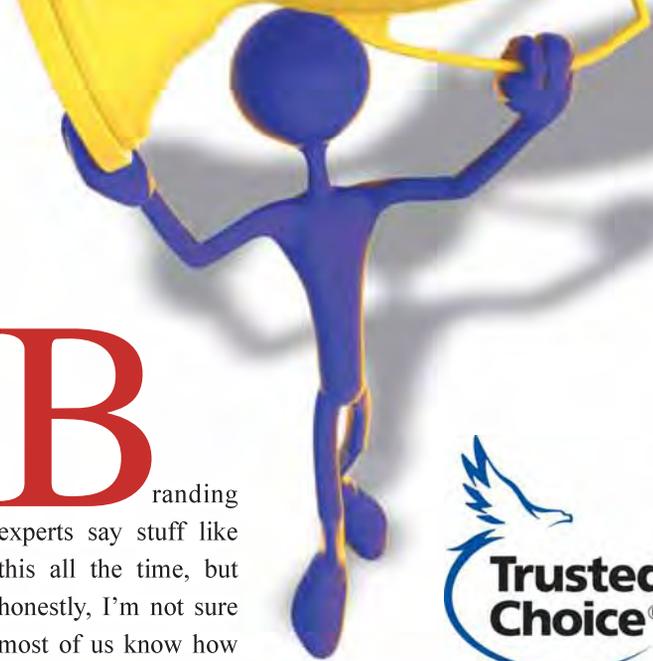
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# What Does “Living the Brand” Mean?



**B**randing experts say stuff like this all the time, but honestly, I’m not sure most of us know how to implement these mantras into real life.

So we went back to these experts for some day-to-day guidance on how to integrate your brand into your agency’s operations in a meaningful way—and get all your employees on board in the process.

First, let’s start with what they mean by—and why it is important to—“live the brand.” In a nutshell, in order for a brand to succeed, every employee must understand, believe in and deliver on the “brand promise.” That promise—sometimes called a positioning statement—is what you have determined is the essence of your agency’s value. It’s not a slogan, or something you put on marketing materials, but rather a sentence or two that articulates internally what your brand is really about. (For example, the brand promise of Trusted Choice® is: *Trusted Choice® agents are the smart way to buy insurance and financial services because our multiple company relationships mean we can offer unsurpassed advocacy, customization and choice.*) Every employee must embrace that promise because the brand’s success is absolutely dependent on consistent and quality customer experience.

Ritz-Carlton®, arguably one of the most successful brands ever, articulates its brand promise and the expectations it sets for its employees in a series of dictums called “The Gold Standard”



By Ross Turner, CIC  
Trusted Choice® Chairman

*Live the brand.  
Embrace the brand.  
Be a brand champion.*

(visit [www.ritzcarlton.com](http://www.ritzcarlton.com)). Its three-sentence credo, said Ritz, “is the principle belief of our Company. It must be known, owned and energized by all.” Indeed, that credo is incorporated into every employee’s hiring, training, professional development and evaluation. The result is a staggering consistency in customer treatment by Ritz employees, regardless of location or position. Similarly, Starbucks®, another *über*-brand, reportedly spends 10 times more on employee training than on advertising—and all their employees *do* is serve coffee!

So, how can you create a high-energy brand culture in your agency without getting a room full of eye-rolls from your staff? According to the experts, successful brands enjoy several things in common that we can learn from:

**Leadership.** Senior agency management must take seriously its role as brand steward, and use your position to encourage and enforce the brand through words and actions. You must be able to communicate the brand promise to employees, carriers and clients. You should empower staff with resources and initiatives that elevate the brand. And you should inspire staff to champion the brand in their own jobs.

**Ownership.** Involvement cannot end with senior staff, however. Every employee, from the kid in the mailroom to the CEO, must “own” the brand promise. But how to make that happen? First, realize that there will be some resistance and misunderstanding at first, and that full ownership will take some time. Ramanujam Sridhar, CEO of brand-comm, an international branding consultancy, classifies employees into four types:

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Bluffton.....	22 Plantation Park Dr., #104.....	(843) 706-2660	Hartsville.....	1109 S. Fifth St., Ste. G.....	(843) 857-9088
Cayce.....	2308-D Airport Blvd. (CAE offsite)...	(803) 739-0073	Hilton Head.....	140-A Beach City Rd. ....	(843) 689-9910
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Charleston.....	2004 Savannah Hwy.....	(843) 556-7889	Lexington.....	5184 Sunset Blvd. ....	(803) 951-1863
Charleston.....	2440 Savannah Hwy.....	(843) 766-5160	Lugoff.....	610 Hwy. 1 South, Ste. J .....	(803) 438-0990
Charleston.....	1500 Savannah Hwy.....	(843) 769-5833	Marion.....	2510 E. Hwy. 76 .....	(843) 275-7116
Charleston Airport.....	34810 Rental Car Ln. ....	(843) 767-1109	Mauldin.....	205 N. Main St. ....	(864) 297-0089
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Columbia.....	3014 Two Notch Rd. ....	(803) 786-6957	Mt. Pleasant.....	1145 Johnnie Dodds Blvd., Ste. E...	(843) 881-2489
Columbia.....	7611 1/2 Garners Ferry Rd. ....	(803) 776-9461	Myrtle Beach.....	1377 Hwy. 501 .....	(843) 626-4277
Columbia.....	3700 Fernandina Rd. ....	(803) 750-6703	Myrtle Beach Airport.....	1100 Jetport Rd. ....	(843) 916-0929
Columbia.....	1012 Broad River Rd. ....	(803) 750-9764	N. Charleston.....	8701 Rivers Ave., Unit 102 .....	(843) 572-8807
Columbia.....	6143 St. Andrews Rd. ....	(803) 772-7766	N. Charleston.....	8440 Dorchester Rd., Unit 5.....	(843) 552-2150
Columbia.....	100 Fontaine Center Rd. ....	(803) 333-9288	N. Charleston.....	3630 W. Montague Ave. ....	(843) 767-5460
Columbia.....	10249 Two Notch Rd. ....	(803) 419-4319	N. Myrtle Beach.....	3401 Hwy. 17 South .....	(843) 361-4410
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Conway.....	2709 Church St., Ste. A.....	(843) 369-7368	Orangeburg.....	1624 St. Matthews Rd. ....	(803) 534-0143
Easley.....	4020 Calhoun Memorial Hwy.....	(864) 269-2847	Seneca.....	204 Bypass 123.....	(864) 888-1115
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- 1) Brand Champions, or storytellers who spread the brand idea;
- 2) Brand Agnostics, or interested but not committed;
- 3) Brand Cynics, who aren't involved with the brand idea; and
- 4) Brand Saboteurs, those who work actively against the brand idea.

You can convert the second and third categories, but the last group will undermine your efforts. Be prepared to make tough decisions if an employee continually derides the brand program.

To make all your employees Champions, include them in the brand development from day one. They should play a role in the development of the brand promise, the image audit and focus groups or questionnaires. You should even solicit their comments on new logo designs or ad campaigns. Then, as the brand evolves, charge staff with recommending ways to incorporate the brand promise in their area. If it is their idea, they are far more likely to sustain interest and enthusiasm—and if they are good employees, their suggestions will probably make sense!

**Integration.** Successful brands align their corporate strategy with their brand promise, rather than seeing them as separate elements. Consider FedEx®, for instance. In order to fully deliver on its brand promise—*On time delivery, guaranteed*—the company must systemically infuse that mission into its technology, customer service and transportation activities, not just marketing. In your agency, you could establish a brand team to ensure that the brand promise infiltrates every facet of the business. You could include representatives from sales/marketing; customer service; technology; and senior management, or however you organize your staff.

For example, the fictional ABC Agency's brand promise is this: "We provide excellent insurance products, guidance and customer service to Springfield's business community." Now consider the ways in which its employees can infuse the brand promise in their individual areas:

- ◆ Senior manager conducts a review of carriers and products to ensure the highest quality is being offered;
- ◆ Info tech explores new ways of providing insurance certificates 24/7 through the agency's Web site;
- ◆ Customer service suggests reorganizing how the clients are divided among the CSRs to more efficiently respond to their requests;
- ◆ Human resources standardizes proper phone etiquette and clarifies the office dress code;
- ◆ Marketing staff sends professionally produced information sheets about key business insurance issues to current clients to reinforce the "guidance" role of ABC.

Integration does not end with your staff, however. As your agency conducts joint planning with carriers, be sure they, too, understand your brand promise and are committed to helping you deliver on it.

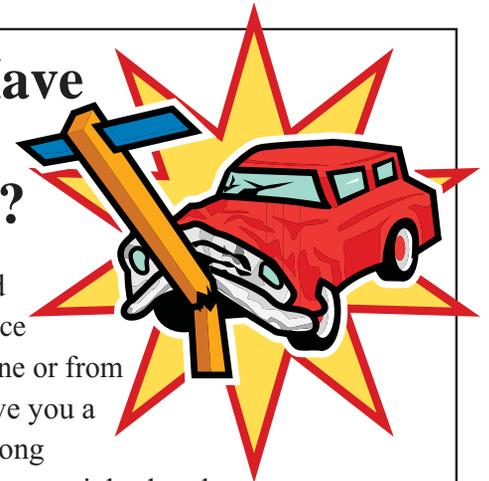
**Performance.** As the old management adage goes—what gets measured gets done. So, incorporate the brand promise into individual and team goals, performance reviews and, yes, even compensation. Award bonuses for "outstanding brand achievement." For example, FedEx® pays its drivers as much as its managers because of the importance it places on on-time delivery.

Measure also your company partners. If a carrier is not in-step with your brand promise, find a way to work with them on the issue(s), or consider replacing them with a more compatible carrier. Remember, one bad experience with a carrier can undo your agency's image in the eyes of a client—don't risk it.

Once you and your staff begin to look at branding as an integral part of your business that requires leadership, ownership, integration and performance, you will have taken a major step toward becoming a successful brand. Remember, however, that this is not a one-time activity, but an ongoing commitment.

Go to [www.TrustedChoice.com](http://www.TrustedChoice.com) for more branding tips.

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**AFCO**



# Workers' Comp issues foster turf war between Governor and WC Commission



*By Lee Ruef  
IIABSC Director of State &  
Governmental Affairs*

**O**ver the next few months, an interesting battle will be played out as Governor Mark Sanford defends his Executive Order to the SC Workers' Compensation Commission regarding the use of objective standards when determining disability ratings.

Governor Sanford issued the order because the General Assembly refused to include any provision regarding objective standards in workers' compensation reform legislation passed last year. The fact that South Carolina Workers' Compensation Commissioners increase doctors' impairment ratings more than any other state was identified by two different studies as a contributing factor to increasing workers comp premium rates in the state. Those studies were conducted by a Governor's Task Force and a SC Chamber of Commerce committee. One carrier says that South Carolina commissioners increase doctors' ratings by 181% compared to average increases of nearer to 120% in other states.

Substantive studies of workers' comp costs were begun in late 2006 after the National Council on Compensation Insurance (NCCI) asked for a 32.9% increase in loss cost rates. This and Second Injury Fund assessments alarmed the South Carolina business community. Business was already paying for two successive years of increases. After extensive Administrative Law hearings an increase of about 18% was granted in 2006. The result of the multiple loss cost increases is that South Carolina has fallen from 10<sup>th</sup> in workers' comp premiums in 2004 to 44<sup>th</sup> in 2007. Now only six states have higher workers' comp rates than South Carolina.

Governor Sanford firmly believes that more needs to be done to hold down workers comp costs. So, last September he signed an Executive Order mandating that the Workers' Compensation Commission apply objective standards, such as American Medical Association Guidelines when making workers' compensation awards.

Soon after the Executive Order was issued, the WC Commissioners argued that the Governor does not have the authority to dictate how they should conduct business, and that the Commission would not follow the Governor's order. The commissioners said they have the status of judges and following the order would cause them to violate the code of judicial conduct, despite the fact that they are part of the Executive branch of state government appointed by the Governor.

As the Commission was taking their stance, a lawsuit was filed by a prominent workers' compensation claimants' attorney in Federal District Court on behalf of a client seeking an injunction against Governor Sanford's executive orders. Federal Judge Ross Anderson issued a temporary restraining order preventing the execution of the Governor's order. Judge Anderson also ordered the Governor to be a party to the federal lawsuit, which the Governor later rejected. The judge also ordered the Governor to defend his order, but Judge Anderson then suffered a stroke, and the case has not moved along any further. At this writing the temporary injunction is in force.

On a separate front, the South Carolina Supreme Court accepted Governor Sanford's suit against the Workers' Compensation Commission and will apparently consider the Commission's refusal to comply with the Governor's executive orders relating to objective standards for awards, the regulation of attorneys' fees and a Governor's authority to require state agencies to release information.

Two claimants' lawyers and the Workers' Compensation Commission have intervened in the Supreme Court case. No hearings have been scheduled on that case.

It may take years to find out, but these cases could have a major affect on how disputed workers' compensation cases are decided in South Carolina and consequently, the effect on premium rates.



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## KEY COVERAGE COMPONENTS



This is the second in a series of three articles about insurance for people operating a home-based business. This article focuses on key coverage components in the RLI @Home Business policy. The first article focused on defining the term “business” within the standard homeowner policy contract and draws attention to exclusions within the homeowner contract that might create coverage gaps for your clients operating a business from their home.

Once the need for an @Home Business Policy is established, there are some important coverages you can highlight to help your clients understand how the policy can reduce their risk of operating a business from their home.

RLI’s @Home Business Policy, which is written on a standard ISO BOP form and endorsed by the Independent Insurance Agents & Brokers of America, is a comprehensive solution to these entrepreneurs. The RLI Rating Guide illustrates over 100 kinds of home-based businesses that are eligible for RLI’s IBP policy.

So, who is eligible for coverage under the RLI @Home Business Policy? Coverage can be available to the following: an individual and/or spouse, a partnership, corporation or joint venture.

That answers the “who can be covered?” question. Next is the question of “what does the policy cover and for how much?” Key coverages are listed below.

**Business liability protection:** This coverage pays for damages up to the stated limit of liability for damages arising from the insured’s business for which the insured is legally liable. The maximum limit is \$1,000,000. Damages include Bodily Injury or Property Damage, Personal Injury and Advertising Injury (excluding advertising, publishing, broadcasting or telecasting done by or for the insured).

**Business Personal Property:** Covers property for risks of direct physical loss, subject to exclusions and limitations while on or off premises, up to \$50,000. “Off premises” means while in transit or temporarily at a premises not owned, leased or operated. Off-premise business property would include items while being delivered; setting up for a craft or trade show and coverage also extends to items stolen from a car.

**Loss of Income and Extra Expense:** If the covered Occurrence results in a suspension of operations, the policy provides coverage for the loss of Business Income for up to one year. Additionally, expenses to avoid or minimize the suspension of business and to continue operations is also covered.

**Accounts receivable and Valuable Papers:** Coverage that applies to Business Personal Property is extended to apply to direct physical loss or damage to valuable papers subject to the exclusions.

**Medical Payments:** Medical expenses for bodily injury caused by an accident on premises the insured owns or rents, on ways next to those premises or because of the insured’s operations. Regardless of fault, RLI will pay reasonable expense up to the maximum limit of \$5,000 per person.

A standard \$250 deductible applies to all policies and optional coverage for on and off premises Money and Securities and Electronic Data Processing are available for an additional premium. Premiums start at \$150.

To learn more about the RLI @Home Business policy or the PUP, contact Charlene Bernotas at IIABSC or visit [www.iiabsc.com](http://www.iiabsc.com) and click “Insurance Coverage for your clients” under the “Member Resources” tab.

Next issue: *Exclusions*

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## Education

### May

- 6 Insuring Personal Auto (CISR), Myrtle Beach, 7 hours P&C
- 14-15 Brokers Pre-Licensing, Columbia, 12 hours P&C
- 14 Agency Operations (CISR), Rock Hill, 7 hours P&C or L&H
- 20 William T. Hold Seminar (CISRs only), Myrtle Beach, 8 hours P&C
- 22 Insuring Personal Automobile Exposures (CISR),  
Columbia, 7 hours P&C
- 29 Insuring Commercial Property (CISR), Charleston, 7 hours P&C

### June

- 4-6 Commercial Lines Nuts & Bolts, Columbia, 18 hrs P&C
- 17 Agency Operations (CISR), Greenville, 7 hours P&C or L&H
- 18 E&O Risk Management, Greenville, 8 hours P&C or L&H
- 25-27 CIC Agency Management Institute,  
Charleston, 4 hrs Ethics, 16 hrs P&C or L&H

### July

- 15 Insuring Personal Automobile Exposures (CISR),  
Florence, 7 hours P&C
- 16-17 Brokers Pre-Licensing, Greenville, 12 hours P&C
- 22 E&O Risk Management, Aiken, 8 hours P&C or L&H
- 23 Insuring Commercial Casualty (CISR), Columbia, 7 hours P&C

### August

- 7 Insuring Personal Automobile Exposures (CISR),  
Bluffton, 7 hours P&C
- 7 William T. Hold Seminar (CISRs only), Charleston, 8 hours P&C
- 13 E&O Risk Management, Anderson, 8 hours P&C or L&H
- 20-22 CIC Commercial Property Institute, Columbia, 20 hours P&C
- 26 Insuring Commercial Casualty (CISR), Greenville, 7 hours P&C
- 26 William T. Hold Seminar (CISRs only), Columbia, 8 hours P&C

### September

- 4 Insuring Personal Residential Exposures (CISR),  
Rock Hill, 7 hours P&C
- 17 E&O Risk Management, Bluffton, 8 hours P&C or L&H
- 18 Insuring Commercial Property (CISR), Columbia, 7 hours P&C
- 23 Insuring Commercial Property (CISR), Myrtle Beach, 7 hours P&C
- 24-26 CIC Life & Health Institute, Myrtle Beach, 20 hours L&H
- 25 William T. Hold Seminar (CISRs only), Myrtle Beach, 8 hours P&C

### October

- 15-16 Brokers Pre-Licensing, Columbia, 12 hours P&C
- 22 Agency Operations (CISR), Myrtle Beach, 7 hours P&C or L&H
- 28 Insuring Personal Residential Exposures (CISR),  
Columbia, 7 hours P&C
- 29 Agency Operations (CISR), Charleston, 7 hours P&C or L&H

### November

- 6 Insuring Commercial Property (CISR), Bluffton, 7 hours P&C
- 6 Insuring Personal Automobile Exposures (CISR),  
Greenville, 7 hours P&C
- 11 Insuring Personal Residential Exposures (CISR),  
Florence, 7 hours P&C
- 12-14 CIC Commercial Casualty Institute, Hilton Head, 20 hours P&C
- 19 Agency Operations (CISR), Columbia, 7 hours P&C or L&H
- 20 Agency Operations (CISR), Myrtle Beach, 7 hours P&C or L&H

### December

- 4 Insuring Personal Residential Exposures (CISR),  
Charleston, 7 hours P&C
- 9 Insuring Personal Automobile Exposures (CISR),  
Columbia, 7 hours P&C

## Events

### May

- 12 Young Agents Scholarship Golf Tournament, Orangeburg, SC
- 21-22 Agents Technology Conference, Columbia, SC

### July

- 10-13 Young Agents Conference, Daufuskie Island, SC
- 22-23 Trusted Choice Big "I" Junior Classic, Orangeburg, SC

### October

- 5-7 IIBASC State Convention, Myrtle Beach, SC



# SUCCESSFULLY POSITIONING AN AGENCY ON INTERNET SEARCH ENGINES

*A competitive imperative for  
Independent Agencies*

*By Jeff Yates, ACT Executive Director*

**F**or most of us, the Internet has become the place we look first for goods and services. It is no different for consumers and businesses looking to find a new insurance provider or information from their current agent or company. The fact is the Internet is radically transforming how businesses establish their brands and market their products. Whenever a massive change like this occurs, it creates a genuine opportunity for businesses that seek to understand it and then change their strategies to take advantage of it ahead of competitors.

## **How consumers shop is profoundly changing**

A recent McKinsey study confirms that consumers' insurance shopping behavior is changing radically. When consumers were asked how they shopped for auto insurance in 2005, 16% used the Yellow Pages (down 23% from 1998), 17% called their agent (down 9%), 17% asked for referrals (down 26%), and 12% replied to an ad (down 7%).

Meanwhile, 28% searched the Internet in 2005 (up 18% from 1998), 24% called a toll-free number (up 6%), and 14% used a local insurance outlet (up 3%).

McKinsey also found that in 2005, 43% of customers did not use an agent to get auto insurance quotes when shopping. Do we have any question where these trends have been heading since 2005, as the Internet has continued to gain prominence and the direct sellers of insurance have bombarded the airwaves urging consumers to shop via the Internet and 800 numbers?

## **The Internet offers both an opportunity & a challenge**

Given these changes in consumer shopping behavior, independent agencies have a rare opportunity right now to get a jump on their agency competitors by building a Web presence and learning how to use search engines effectively.

This opportunity is possible because most independent agencies are very poorly positioned on the Internet today. According to the 2006 IIABA Agency Universe Study, only 29% of independent agencies see their agency Web site as an important tool in building their image and only 17% are using search engines for marketing. Moreover, the 2006 AUGIE Survey found that of the 75% of agencies with Web sites only 44% see the need to update them regularly (31% said continuously; 13% monthly), while the majority update them rarely (35%), annually (18%), or never (3%).

I hope these trends and statistics give you a sense of urgency to build a strong presence on the Web and to learn how to use search engines. You will hear a lot from ACT on these subjects in the coming months, because frankly *we think individual agencies and the Independent Agency System as a whole will be at a serious disadvantage five years from now if we do not catch up with our competition in these areas.*

## **Achieving a Top 10 position on search engines**

Google is by far the most popular search engine, accounting for a little more than 49% of the searches. The three next biggest

are Yahoo (23.8%), MSN (9.6%), and AOL (6.3%). To give you some measure as to how fast these companies are growing and changing the world of marketing, Google's revenues were \$6 billion in 2005 and are projected to be \$16 billion in 2007! These revenues, of course, come primarily from paid "sponsored links" that appear as the first few shaded listings in left column of the search results and in the right column.

This article focuses on how independent agencies can achieve a top 10 position for their Web sites in the organic (FREE) search listings, which are awarded by the search engines depending on the site's content, popularity and a whole array of other proprietary criteria. It is valuable for agents to be aware of the major issues involved in achieving a good search result for their Web sites, even though most are likely to engage a Web master skilled in search or one of the many search optimization firms to assist them.

First, an agency needs to determine the objective(s) for its Web site. Is it to provide information about the agency (focus, location, staff, contact information), to enable 24/7 customer service and information, to attract prospects, or other functions? It is often more effective for agencies to have a number of Web sites, each designed to accomplish a specific objective. One might be for basic agency information and customer service; others might be targeted to the agency's specialties and designed to attract the specific prospects the agency is seeking.

### Good content is critical

Having good content on the site is the most important thing an agency can do to achieve a good search position. Independent agents are in an excellent position to provide this content because they know the questions customers ask them every day and have the insurance expertise to provide high-quality content. There is a great deal of competition from other Web sites on the most basic insurance questions, so agents are better off designing pages that provide more specialized information that they know customers are interested in, as well as information about "niches" in which they have particular expertise. This type of quality information conveys to the user that the particular agency is professional and will add value to the overall insurance relationship.

It is critical that the agency keep the site fresh and continuously add new content, because this will encourage the search engine "spiders" to visit the site more frequently and rate it more highly. All of the site's links should work correctly, avoid "dead ends" and have an easy-to-navigate structure. The search optimization firms recommend a home page, and no more than two tiers of pages linking off of the home page (each tier having eight or less pages). This means the specific information the reader or the search engine "spider" is looking for is no more than two clicks away.

The search engines prefer to link directly to the landing

pages within Web sites that specifically address the questions that have been raised in the search. Always keep in mind that the primary objective of the search engine is to direct users to high-quality information that specifically answers their questions and satisfies their needs, so they'll repeatedly use the search engine.

### Keywords

You should determine different "Keywords" for each of the Web pages within your site—keywords that consumers are likely to use in making a search and that accurately reflect the content on the page. The trick is to pick specific Keywords, as it will reduce competition from other Web sites and provide you with the type of customer you are seeking. Shoot for Keyword phrases of two to five words in length. In order to narrow the competition and target prospects to those in your community, you may want to include your location as part of your Keywords. You also should consider establishing a free Google local business listing. (Google "Google Local Business Center" for more detail.)

Google has a free tool (<https://adwords.google.com/select/KeywordToolExternal>) to tell you how often the Keywords you are considering are searched upon and how much competition there is for them (at least with regard to paid searches). Wordtracker ([www.wordtracker.com](http://www.wordtracker.com)) also provides good Keyword tools.

In order to maximize search positioning, you should include the Keywords in the URL, Title Tag (found at the very top of the Web site), the Description Meta-Tag, the Keywords Meta-Tag, and then in the body of the text where they fit (particularly in the headings and links used). The search engine "spiders" compare the Tag information with the content on the site to make sure the content is delivering on what was promised in the Keywords. Note "spiders" cannot read images, including PDFs produced using Photoshop. HTML is best, but if PDFs are included, they should be created with a text-based program, such as Microsoft Word or Adobe Pagemaker so that the "spiders" can read them. Please see the excellent Search Engine Optimization 101 tutorial at [www.marketleap.com](http://www.marketleap.com) for more detail.

### The benefits of others linking to your Web site

In addition to providing excellent content, good Keywords and Keyword placement and well-structured navigation, a Web site's search position can be greatly enhanced when other sites—particularly those highly ranked by the search engines—link to it. The search engines regard these links as a vote of confidence in the site. Once again, the more useful the content on your site, the more likely other sites will be willing to link to yours.

Inbound links are most important. Outbound links will not hurt your search positioning if they lead to relevant additional information. Agents should seek links from other businesses in their communities, as well as from the media and public entities, particularly where the agency's Web site has insurance and

risk management information that would be of interest to the constituencies of these other entities.

Once the agency's Web site is well established, the agency should consider generating media news releases on insurance topics of high interest to the public containing links to more content on the agency's Web site. The agency should send these releases to community news organizations as well as consider using *PRweb.com* (which reaches a broad number of Internet publications) in the hope these publications will link to the agency's Web site for this informative and timely content.

You should regularly submit your Web sites to the major search engines to facilitate the indexing of your pages (Google "search engine registration" for more information.) It is also very important to subscribe to a good Web site analytics service, so that you can measure the kind of traffic you are generating to your various Web pages and how long they visit. With the right Keywords and content you should be generating a minimum of "bounces," which are those who leave your site almost immediately after arriving. Also, make sure your staff asks all prospects how they learned about your agency.

There is a science and art to achieving effective search engine positioning, but with the right content and taking the steps outlined above, small businesses can do very well on search engines. Be patient, because it can take as long as 10 months to see a positive change in your search results. Just as you have learned over time what works and what doesn't for your agency with Yellow Pages, direct mail, lead generation and advertising, you will acquire skill on using Internet search engines effectively. Your Web site and the effective use of search engines offer your agency an excellent opportunity to expand your market area and customer base. (Additional resources: *searchengineguide.com*; *wordtracker.com* click "academy"; *google.com/webmasters*; and *searchenginewatch.com* click "search101.")

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