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IIABA's National Legislative Conference

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Date: Friday, June 15th
Location: Gaithersburg Marriott Washingtonian Center

Conference Schedule

- Registration & Continental Breakfast
- CE Seminar ~ ‘E&O Risk Management: Meeting the Challenges of Changes’
- Lunch Break with Legislative Update from IIAMD Lobbyist Brett Lininger
- Cocktail Reception
- Installation of Officers & Dinner
- Entertainment ~ Motivational speaker Sam Glenn "Attitude is Everything!"

Sponsorship Levels:

- **Gold** - $2,000 (includes three complimentary registrations)
- **Silver** - $1,000 (includes two complimentary registrations)
- **Bronze** - $500 (includes one complimentary ticket)

Sponsors Receive:
- Signage throughout event (registration, CE program, lunch, etc..)
- Advertisement in conference program
- Acknowledgement at event
- Complimentary registrations
- Reserved seating at dinner
- Recognition in the July/August 'Maryland Messenger'

To sponsor the conference please register at
www.iiamd.org/conference
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### The Maryland Messenger

**The Independent Insurance Agents of Maryland, Inc.**

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The Maryland Messenger is a bi-monthly publication published for the exclusive use of regular and associate members of the Independent Insurance Agents of Maryland. Publication of any article, letter to the editor or advertisement in the Maryland Messenger should not be deemed an endorsement by IIAM of the opinions expressed or product advertised. Questions and comments should be directed to the editor, Shelley Arnold.

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IIAM CONTINUES TO BE HERE FOR YOU

What industry isn’t challenged with rapid, unprecedented, whiplash inducing change these days? We in the insurance business are certainly not immune! We must respond to natural calamities Mother Nature throws our way – with increasing frequency and severity, it appears. We must alter our marketing and placement habits with the field of carriers being ever realigned, readjusted and rearranged – pick your favorite verb – via acquisitions and mergers. We must adopt new risk management practices for new and “exciting” (scary?) exposures that just few years ago were not in our playbook – how ‘bout those drones? Or Ransomware? We have staff working remotely and many internal processes being performed overseas – that walk down the hall for advice is not always an option.

The bottom line for us – and the rest of the working, productive world – is Get Used To It! And we are. Our agents and agencies here in Maryland are an impressive bunch, staffed by competent professionals. We don’t want to just survive: If we pay attention, watch the trends, stick to what we know best and use the technology that’s galloping forward, we will prosper. Nothing is easy, but our business is a great way to make a living. Opportunities abound at all levels.

Make no mistake, the Independent Insurance Agents of Maryland (IIAM) is an invaluable resource to help keep pace with these changes. Not the least of IIAM’s contributions to your agency’s well being is found in its legislative activities, both locally and in conjunction with the Big “I,” our national association partners. Staff along with the IIAM Board and committee members participate tirelessly. IIAM has a dedicated local lobbyist with good instincts and guidance on how to deal in Annapolis with the many issues that affect us all. And there are plenty of issues! Don’t miss out on the IIAM website (iiamd.org) which is rich in support materials for you and includes from a legislative perspective summaries of case law, synopsis and reviews of recent (and not-so-recent but still applicable) legislation, statues, and also MIA bulletins that you need to know about. Practical information abounds.

This Maryland Messenger edition has a focus on legislative matters that affect us all, so enjoy the read and let IIAM know whenever we can be of service to you, and thanks for being an IIAM member!

A Call to our General Meeting

Pursuant to Article III, Section 1 of the bylaws of the Independent Insurance Agents of Maryland (IIAM) notice is hereby given that a meeting of the Membership of IIAM will be held in Gaithersburg at the Marriott Washingtonian Center, 9751 Washingtonian Blvd, Gaithersburg, MD 20878, on June 15, 2018.

The Membership meeting will begin at 11:00 a.m.
Without Proper Contractual Review, Construction Firms Risk Large Financial Losses

By Lars Olson, IIA Past Chairman, 2009-2010

Whether an owner, general contractor or subcontractor, parties involved in construction projects face significant financial impact if they do not have a clear understanding of their financial obligations and inherent contractual risks. Risks that may have been omitted, disguised or waived unintentionally in a contract can result in large financial losses that might not be covered by insurance. As such, construction firms need to engage risk specialists who can provide comprehensive contract review. This process is critical to:

• Identify and evaluate indemnification and hold harmless provisions that do not coincide with current insurance contracts or exposures for which a company is contractually obligated
• Detect unreasonable insurance coverage requests that can have a negative economic impact. (E.g. a waiver of subrogation on workers’ compensation)
• Evaluate the parameters of additional insured requirements. Do you really want to provide a defense for someone else’s sole negligence?

Lars Olson, vice president in the Construction Casualty Practice at USI Insurance Services in Bedford, NH, said USI frequently uncovers unreasonable terms and conditions during the contract review process. “Most recently we reviewed a contract that required a tenant to hold the owner of a property harmless and indemnify this same owner for all costs related to a building fire,” said Olson, adding that the tenant unknowingly accepted this financial obligation even though he had no control over the sprinkler system and maintenance at the property.

Contractual liabilities can be transferred through different types of contracts, including performance contracts, lease agreements, purchase orders, service agreements and supply contracts. Part of USI’s process is to offer construction firms guidance on structuring insurance and indemnification provisions. For example, the construction team can recommend language to improve a client’s risk position based on current coverage terms, helping to prevent under-insured and uninsured losses up to the contract value. A USI contract review is designed to:

• Prevent underinsured and uninsured losses up to millions of dollars due to inadequate limits
• Promote and support contractual compliance
• Eliminate unreasonable contractual coverage requests

The process begins with evaluating policy language adequacy based on contractual requirements, recommending changes if needed, and quantifying any potential financial impact. Program structure and coverage terms may be revised following the review.

“Most insurance agents focus on pricing, but short-cutting to the lowest price can hurt clients if they are not covered for an exposure agreed to under a contract. Unfortunately, many contractors, who only look for the best price, discover after a loss that they did not comply with the owner’s contract and also failed to appropriately transfer liability to subcontractors or vendors,” said Olson.

Recently, USI engaged a contractor who builds commercial and residential buildings. USI’s goal was to protect the company from unknown costs arising from its indemnity agreement. Following a thorough review of agreements between the building owner and the company, the team discovered that the contracts required certain insurance criteria as well as indemnification and hold harmless provisions.

Since the contractor was responsible for performing design/build operations, it was required by contract to have a professional liability policy. As such, USI structured an insurance program that included a professional liability policy, helping the company avoid potentially uncovered defense costs of $400,000 and a potentially uncovered claim of $1,000,000.

This is just one example of how USI works to protect construction firms’ contractual obligations.

To learn more about USI’s contract review and how it can deliver a significant financial impact to your insurance program, contact Lars Olson, vice president, property and casualty, at 603.665.6118 or lars.olson@usi.com.
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Contact Christine Munoz at IIABA at (800) 848-4401 or christine.munoz@iiaba.net to learn more about any of these options.
Why this is important?
This is a quickly evolving trend that is in its infancy but has the potential to revolutionize the way insurance carriers and agents interact with their clients. Facebook's Mark Zuckerberg stated that Virtual Reality is "the next major computing and communication platform."
Augmented Reality has the capability to enable discussions, provide remote access, and create – all in an immersed, realistic virtual environment.

What is it?

Here are descriptions and differences between the three technology acronyms:

1. **Virtual Reality (VR)**, which can be referred to as immersive multimedia or computer-simulated reality, replicates an environment that simulates a physical presence in places in the real world or an imagined world, allowing the user to interact in that world. VR is the umbrella term for all immersive experiences.
   EXAMPLES: Gaming, Training, Education, Training Simulations.

2. **Augmented Reality (AR)** is an overlay of content on the real world, but that content is not anchored to or part of it. The real-world content and the computer-generated content are not able to respond to each other.
   EXAMPLES: Retail (makeup mirrors, furniture & remodeling), House-hunting, Pokemon, Travel, Medicine.

3. **Mixed Reality (MR)**—sometimes referred to as hybrid reality—is the merging of real and virtual worlds to produce new environments and visualizations where physical and digital objects co-exist and interact in real time. MR can sometimes incorrectly be referred to as AR, and vice-versa.
   EXAMPLES: Training — Pilots/Astronauts, Education.

Broad Implications / Uses
This has applications across many spectrums of our lives:
- Education
- Training
- Loss Control
- Advertising
- Retail Sales
- Create Visual Design
- Gaming
- Our reality will become intertwined with virtual reality
- Creation of models and prototypes will accelerate to a higher level

- Niche markets will be created, others impacted
- VR/AR/MR will become the laboratories of the future

EXAMPLE: With education alone, the level of immersion that virtual reality provides for its user is the reason that virtual reality has a lot of potential for eLearning. By immersing learners in their learning experience, the hope is that those learners will become fully engaged with the learning material.

"I hear and I forget. I see and I remember. I do and I understand."  
-Confucius

Economic Impact(s)
- Improved customer experience
- Significantly reduced design and development windows

(Con’t on page 8)
Real time education and training availability, reducing need for classroom, potentially reducing overall tuition cost.

The explosive growth in the user-base of VR will quickly create a large consumer demand for haptics (touch transmission) devices, resulting in a significant demand for design and manufacturing jobs.

AR and VR will enable boosts in operational efficiencies within some industries resulting in reduced workforces.

**AR and VR will enable boosts in operational efficiencies within some industries resulting in reduced workforces.**

**Insurane Industry Implications**

AR can have positive and negative impacts to many areas of our industry:

**Positive Impacts**

- Marketing opportunities - showcase example of exposures/coverage. The following video is a great real-life example: https://youtu.be/avrvkZaphwo
- New categories of exposure and loss – Think of Pokémon
- Demonstrate products
- Claim Processing / Loss Control / Loss site re-creation; Zurich field engineers using smart glasses
- Real-time estimates on water/fire/CAT losses, using Augmented reality
- Education/training - consumers and insurance employees
- Can assist with market intelligence, Underwriting discipline, and overall strategy
- Ability to augment/replace some workforce on assessment, such as CAT review
- Possible cost containment for exposures such as Work Comp.

**Negative Impacts**

- Increased claims particularly in the areas of privacy and security
- Cybersecurity exposure
- Costs to smaller carriers who are trying to compete with larger carriers adopting IoT/AR/VR
- Health concerns - Motion sickness/Cyber Sickness/Sim Sickness
- End-user may become over-reliant on the accuracy of data
- Laws and regulations will lag behind technology.
Recommended Actions

**Agents**

- While still in early stages, augmented reality can be used to add video or images to printed materials creating a personal connection to potential or existing customers.
- Review your current customer base for possible impacts.
- Investigate niche markets for insuring VR and AR delivery systems, and to ensure adequate coverages.

**Carriers**

- Virtual, augmented and mixed reality has the potential to provide a real-world images and perspective for training/risk management for employees, agents and customers.

**Vendors**

- As with carriers, investigate possibilities for integration with existing systems for future uses.

**Examples/Resources**

- How can Insurance Businesses Get on Board with Augmented Reality?: https://www.realexpayments.com/blog/augmented-reality-insurance-businesses/

**Evolving Technology Caution**

Imagine 10 years ago trying to envision the way we use cellphones today. It’s impossible. Likewise, this is the promise VR holds today. VR at its best shouldn’t replace real life, just modify it, giving us access to so much just out of reach physically, economically. In this context, the evolution of this trend will be difficult to contemplate in its entirety. The ACT Changing Nature of Risk work group will stay focused on this primary trend to understand its implications.

**Call to Action**

As this technology is advancing as rapidly as any other, and the implications will impact almost all areas of our world, keeping current will be a challenge. It is suggested that industry personnel use resources such as this Advisory and others listed to clearly understand the insurance and personal impacts. Along with trends such as the Internet of Things (IoT), this is recommended to be a primary focus.

(Con’t from page 8)

oursympathy

**Martha Wetzel, April 8, 2018**

IIAM extends their deepest sympathy to the family and friends of Martha Wetzel, wife of the late James Wetzel, a long-time member through the agency of Wetzel & Lanzi, Inc. Ms. Lanzi passed away on April 8, 2018. Contributions in lieu of flowers may be sent to Cristo Rey Jesuit High School, 420 S. Chester Street, Baltimore Maryland 21231.

marylandmessenger 2018 mayjun
SO YOU RECEIVED A KNOCK ON THE DOOR…

Knock, knock! Who’s there? It’s the FBI. Or a State Trooper. Or an investigator from the Insurance Commissioner’s office. After the knock, the door opens and the business professional is handed a subpoena to appear and give testimony. No matter how politely the envelope is delivered, what is being delivered is always unwelcomed news.

The business professional needs to decide what to do next. Although each situation is different, there are some fundamentals do’s and don’ts in dealing with a grand jury or investigatory subpoena.

• **Accept the subpoena politely.** Refusing to accept a subpoena does not work. In most jurisdictions, a subpoena does not have to be placed into a person’s hands. It is officially served no matter how it is delivered. It does not help the situation to become belligerent with the law enforcement officials delivering the subpoena. In fact, if a person becomes too obstreperous, charges relating to obstruction or interference could be filed.

• **Politely refuse to answer any questions without a lawyer.** Too often, people who are served with a subpoena think that they can talk their way out of the situation. But anyone who has watched an episode of Law & Order understands that law enforcement officials are almost always in a questioning mode. Answering questions can get someone into trouble. For example, federal law prohibits a person from misrepresenting or lying to a federal agent. State laws have similar “do not lie” laws. A business professional being served a subpoena should do no more than identify themselves without speaking to a lawyer.

• **Do not consent to a search without a search warrant.** A grand jury subpoena requesting testimony does not permit the seizure of documents. Without permission, documents cannot be seized without the service of an official search warrant (or another type of official and formal request). To the extent a search warrant is served, the business professional should watch, take notes, and observe what is being taken. They should also immediately call their lawyer for advice as to what to do.

• **Politely ask that law enforcement officials leave.** After a grand jury or investigatory subpoena has been served, law enforcement officials generally have no right to remain on premises. They will generally leave the premises if one politely and firmly asks them to leave.

• **Do not underestimate the power of a subpoena.** A grand jury/ investigatory subpoena cannot be ignored. If a person does not show up to provide testimony after being served a subpoena, there can be serious consequences and potential criminal prosecution.

• **Do not destroy or alter records.** Federal and state law makes it clear that a person who receives a subpoena may not delete, alter or destroy records that have been requested. Obstruction of justice is generally a federal felony. That said, records that have not been requested do not have to be produced. In general, unrequested information does not need to be produced. However, all records relating to the area of inquiry should be reviewed before any testimony is provided. This review should include consideration of all compliance issues, whether there are missing documents, and whether documents reveal inconsistencies.

• **Call a lawyer.** Lawyers can help a business person under their rights and obligations. Lawyers can help a person understand the potential exposures and whether there are risks. For example, a lawyer may contact the prosecutor issuing the grand jury subpoena. That inquiry may reveal that someone entirely unrelated to the business is being investigated and that there is no real risk to production of records or testimony. The lawyer may be able to negotiate a limited scope of testimony agreement, or some form of immunity for the statements that will be given. A lawyer can sometimes work wonders. When they can’t work wonders they can advise their clients of the risks.

The best advice for dealing with a grand jury subpoena or investigatory subpoena is to have a plan in place to deal with it before the knock comes.
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The legislative session of the Maryland General Assembly came to an end at midnight on April 9th (Sine Die). As the members of the legislature, the Governor, and Comptroller prepare for the elections in June and November, we take this time to review the events of the 2018 session. It was a very active session with many bills touching on the fine profession of the independent insurance agent.

House Bill 1078/Senate Bill 792 (Commercial Insurance – Insurance Producers – Commissions)

I am pleased to announce the passage of the IIAM’s bill codifying a long-standing practice within the insurance industry that had been the subject of examination by the Maryland Insurance Administration over the past year or so. The bill allows an insurer to pay commissions on a variable basis on policies issued to a qualified exempt commercial policyholder resulting in a lower premium for the policyholder provided the insurance producer receiving the commission has agreed to the specified level of commission. A commission expense reduction plan (CERP) is a term defined by the Maryland Insurance Administration. It is commonly known among insurance producers as “commission contribution” or “netting” a premium. House Bill 1078 and its cross-file, Senate Bill 792, are ready for the Governor’s signature and will go into effect on October 1, 2018.

House Bill 1161/Senate Bill 856 (Maryland Automobile Insurance Fund – Uninsured Division – Uninsured Motorists)

These bills were a continuation of the effort to address the persistent problem of uninsured drivers in Maryland. A couple of years ago, the legislature passed into law an amnesty program designed to encourage uninsured drivers to obtain insurance without incurring the normal penalties and fines. The IIAM has consistently advocated for measures that help improve the uninsured problem in the State, but in a way that protects the distribution model of the independent insurance agent.

The IIAM, along with other industry advocates, worked very hard on this legislation to ensure such protections were provided. For example, language to the preamble was added to say that “in addition to MAIF, motor vehicle liability insurance in the State is provided through a system of private insurers, insurance producers, and independent insurance producers.” Further details of our advocacy efforts are detailed below.

This legislation creates a Program to incentivize and enable uninsured vehicle owners to be insured. The program created is to be administered by the Uninsured Division of MAIF (“UD”). The program period is to begin not earlier than July 1, 2018 and end not later than December 31, 2019.

An individual is eligible to participate in the Program if he or she is a State resident; has delinquent uninsured vehicle penalties that became delinquent on or before December 31, 2016; is presently uninsured; and has not been issued a judgment by the Central Collection Unit (“CCU”) of the State.

The legislation requires the MVA and the CCU to provide the UD with contact information and the total amount of delinquent uninsured vehicle penalties that may be waived under the Program. When the UD notifies the MVA that an applicant meets the requirements of the Program, the MVA will waive 80% of an individual’s delinquent uninsured vehicle penalties that became delinquent on or before December 31, 2016. As a condition to receiving such waiver, the eligible individual is required to pay the balance of the penalties before the end of the Program period and must obtain the required insurance coverage if they own a vehicle at the time of the waiver or subsequently registers a vehicle.

Additionally, if a claim against the individual has been sent to the CCU, that person must also pay a CCU fee calculated as a percentage of the amount of the balance owed before the end of the Program period. One exception to the timing of the payments is if the individual enters a monthly installment payment plan if the first payment is due on entry into the Program and the remaining balance is paid within 6 months after entry into the Program.

The eligible individual is required to maintain coverage for at least 6 months or at least 1 year if the waived amount exceeds $3,000. An individual participating in the Program may be considered by MAIF to have met the requirements of the 2 turn down requirement and pay the premium for the policy in installments in accordance with current law regardless of the amount of premium. Current law provides that “[i]n approving the Fund’s plan for accepting premiums on an installment payment basis, the Commissioner

(Con’t on page 13)
shall ensure that the Fund's installment payment plan...requires an insured's initial premium payment to be no less than...[[],] for a total annual premium of for a total annual premium of $3,000 or more, 20% of the total annual premium."

As introduced, the legislation provided that the requirements pertaining to installments, as described above, was also without regard to the premium finance installment requirements set forth in statute. This language was stricken upon lobbying by the premium finance companies.

The IIAM and other industry advocates fought to prevent the UD from contacting an uninsured driver prior to 60 days after the effective date of the final termination or lapse of insurance, as reported to the MVA by an insurer. Further, we advocated for the requirement that if the UD uses the information on an individual received from the MVA to contact such person, the UD must send a notice to the owner that the individual may contact his or her insurance producer, if any, or the owner’s prior insurer to determine whether insurance may be placed for the individual by the producer or the insurer.

Beginning July 1, 2018, the legislation requires any uninsured motorist penalties the MVA receives under the Program to be paid to the UD.

The legislation requires the UD to meet with and solicit input from other insurers, producers and producer associations, premium finance companies, the MIA, the MVA, consumer groups, and others as determined by the UD concerning the implementation of methods or programs aimed at reducing the number of uninsured motorists.

The UD and the stakeholders will be required to determine a targeted reduced amount of the rate of uninsured motorists in the State that may be achieved with

The implementation of methods or programs; identify methods or programs that could be effective in reducing the number of uninsured motorists, including providing insurance premium credits or other rate subsidies to vehicle owners who are unable to afford insurance; consider the involvement of other insurers and producers for each method or program; and identify the amount of funds needed to implement each method or program and possible sources of additional funding.

Additionally, the UD must determine the effectiveness of efforts to educate consumers regarding, among other things, how to shop for automobile insurance and the methods by which automobile insurance may be purchased, including through insurance producers. On or before December 1, 2019, they must report its findings and recommendations to the Governor. Within 60 days after the end of the Program period, the UD is also required to report the Governor and legislature the results of the Program; the demographics of the Program participants, including gender, age, and zip code, and the insurance companies with whom participants obtained insurance; and analysis or information relating to the implementation and effectiveness of the Program that the UD considers appropriate; and any recommendations to implement other programs aimed at reducing the number of uninsured motorists.

Senate Bill 743 (Motor Vehicle Insurance – Peer to Peer Car Sharing)

This bill created the regulatory framework for peer to peer car sharing through companies such as Turo. Peer to peer car sharing is like the business model for renting homes through companies such as Airbnb, but for cars. The main issue the IIAM tracked was the selling of auto coverage when the cars are rented from one person to another.

In concert with the MIA and other industry stakeholders, the IIAM was successful in requiring a peer to peer car sharing program to hold a limited lines license to sell insurance in connection with, and incidental to, the reservation of a shared motor vehicle through the peer to peer car sharing program before the program, or its employees or authorized representatives may sell or offer any policies of insurance in Maryland.

In addition, the legislation requires the peer to peer program to provide certain disclosures to the consumer, including that obtaining certain coverage through the program may duplicate coverage already provided by the shared vehicle driver’s person automobile insurance policy, homeowner’s insurance policy, personal liability insurance policy, or other source of coverage.

The legislation also gives the Commissioner broad authority to, in addition to revoking or suspending a limited lines license, impose on the peer to peer car sharing program a penalty of not less than $100 but not more than $2,500 for each violation and require that restitution be made to any person who has suffered financial injury because of such violation.

Senate Bill 71 (Insurance – Certificates of Qualification for Surplus Lines Brokers – Suspensions and Revocations)

This was departmental legislation that removed the reference to the requirement of a surplus lines broker filing a semiannual report.

House Bill 1083/Senate Bill 673 (Insurance – Contracts and Policies – Educational and Promotional Materials and Articles of Merchandise)

This legislation allows a person to offer, promise or give any valuable consideration not specified in the insurance contract, educational materials, promotional materials, or
articles of merchandise that cost no more than $50. This was an increase from $25.

**House Bill 1127/Senate Bill 876 (Insurance – Commercial Lines – Exemptions from Filings)**

This legislation modified the following requirements to become a commercial exempt policyholder to an entity that generates annual revenues or sales more than $5,000,000 (down from $10,000,000); possesses a net worth more than $2,500,000 (down from $5,000,000); and is a nonprofit organization or public body with an annual budget of at least $5,000,000 (down from $10,000,000). The IIAM’s amendment to the legislation made clear that an exempt commercial policyholder must certify in writing, on a form approved by the Commissioner, to the insurer issuing coverage that it meets the criteria necessary for exemption from RATE AND form filing requirements.

**Bills that we prevented from passage:**

**Senate Bill 866 (Maryland Uniform Electronics Transactions Act – Revisions)**

This bill sought to provide that a consumer contract by electronic means or in electronic form is not valid unless the consumer was given a reasonable opportunity to review a copy of the complete contract before signing and the copy of the complete contract is clear and readable and in an electronic or written form. This legislation, as drafted, would have created a lot of practical problems for insurance producers as applied to insurance policies. We introduced amendments that would have exempted insurance policies if it has passed.

We expect to see some version of this bill next year.

**House Bill 1372 (Consumer Protection – Consumer Contracts Renewal – Restrictions)**

Along the same lines as SB 866, House Bill 1372 would have prevented a consumer contract from containing a renewal term unless the consumer contract clearly and conspicuously discloses that the contract will automatically renew unless the consumer cancels and affirmatively consents to the renewal term before the consumer is charged a fee under the contract. Again, this bill would have had negative implications for insurance policies. Had the bill passed, we added an amendment exempting insurance policies.

We expect to see some version of this bill next year.
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Insurance agency mergers and acquisitions reached record-breaking highs in 2017 for each quarter and for the year with P&C sellers remaining the dominant target. The recent Agents & Brokers 2017 Merger & Acquisition Update, released by OPTIS Partners, found contributing factors to include “Baby Boomer” owners planning to retire and a large inventory of Property & Casualty agencies. Whether thinking about buying or selling an agency or book of business in the future, contacting your E&O agent prior to beginning the buy/sell process is imperative. Discussions with your E&O agent can be influential in developing your plan to buy or sell.

For buyers, finding out coverage for your purchase cannot be afforded by your E&O carrier after the fact, is certainly a situation you want to avoid.

- Review your E&O policy’s definition of Insured and provisions relating to reporting material changes. The definition of Insured sometimes includes coverage for newly acquired or formed entities but coverage may be limited to a specific number of days matching that of the material change reporting provision, or until the end of the policy term, whichever is earlier. Prior acts coverage for newly acquired or formed entities is typically excluded unless agreed to by the carrier and endorsed to the policy. Carriers may require notice of the acquisition or merger to be reported within 30 to 120 days of the finalized transaction. Not reporting the transaction within the policy provision’s time frame could result in the denial of a claim relating to the purchased book or agency.

- Your E&O carrier may request details, through the completion of a supplemental application, including information about the type of transaction (acquisition or merger, full or partial book acquisition), assumption of prior liabilities, use of seller’s staff and name, the acquired book’s gross annual premiums and commissions, mix of business, seller’s E&O Extended Reporting Period (ERP), etc. If purchasing a large agency or specialty book of business or upon purchase, the agency’s mix of P&C, L&H, and other revenue ratios change, confirm with your E&O agent the risk will continue to fit within the E&O carrier’s appetite. Replacing E&O coverage may be necessary depending on your E&O carrier’s underwriting guidelines.

- E&O carriers typically require review of E&O loss runs on the acquired book of business regardless of the transaction involving the entire book of business or simply a partial book acquisition. The underwriter may specifically exclude coverage for any open claims or prior acts coverage may not be afforded due to prior claims history, nature of business, etc. Review of the claim details can identify any procedures or actions that may need to be corrected to avoid similar claims. E&O claims frequency data shows errors made on renewal transactions represent over a quarter of E&O claims reported.

- An additional coverage purchasers should consider is excess E&O coverage over the acquired entity’s ERP. This coverage is valuable in the event the seller’s ERP is exhausted and suit is filed against the buyer. Westport Insurance Corporation, a leader in insurance agency E&O, provides this coverage, subject to underwriter approval, exclusively to Big “I” members insured through their RPG program.

For sellers, E&O ERP options and premiums are important financial factors to consider. Understanding the ERP options available can help avoid last minute contract revisions or possible contract violations.

- In some cases the purchaser will offer to assume prior liabilities. In advance of the acquisition, the seller should confirm the buyer’s E&O carrier can provide prior acts with coverage at least matching that of the seller’s E&O. Otherwise, the seller will need to purchase an ERP.

- ERP premiums are typically

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2 E&O Happens – www.iiaba.net/EOHappens
calculated on a percentage of either the expiring policy’s annualized premium or an average of the past few policy periods annualized premiums. Confirm the ERP premiums with your E&O agent and any return premiums if canceling mid-term.

- If the buy/sell agreement requires the seller to purchase an ERP, be sure your E&O carrier can provide at least the minimum ERP required. Some carriers may only offer options of 1-3 years while your buy/sell agreement may require a minimum of 5 years.

- Regardless of the minimum ERP required, an unlimited ERP is the recommended option. A claim can arise years after a wrongful act was committed. Westport Insurance Corporation and Allianz are of the few E&O carriers providing this enhancement to Maryland policyholders and is done so through the Big “I” Professional Liability RPG program. The Westport RPG form also provides an unlimited ERP option at no cost to sole owners meeting requirements as outlined in the policy language.

- The seller’s E&O ERP provisions may require the ERP be purchased within a designated time frame. Most E&O policies require the ERP to be purchased within 30 to 60 days of the policy’s cancellation. If the ERP is not purchased within the required time frame, the seller may be in violation of the buy/sell agreement.

- Not until after the sale has been finalized is it recommended for the seller request to cancel their E&O policy and have the ERP issued. Cancelling the E&O policy prior to the sale could result in a lapse in coverage. Once the policy is cancelled and an ERP is issued, the carrier may not be able to reverse the transaction and reinstate the E&O policy.

When reviewing your agency’s E&O coverage, take notice of the provisions previously mentioned. In addition to seeking the advice of a lawyer, Big “I” members can access resources available through the Big “I” Virtual University pertaining to mergers & acquisitions, perpetuation and agency valuation. Big “I” members insured through the Westport RPG program also have access to articles such as “Buying, Selling, and Merging An Agency – What Should You Do?” through the Big “I” E&O Risk Management website “E&O Happens”. If your agency is not yet insured through the Big “I” Professional Liability Program, contact Maryland’s Program Manager: Carla M. McGee, RPLU, ACSR Carla@iiamd.org or 410-766-0600 x 100.

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What are their digital services?

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Big “I” Names New Director of Federal Government Affairs

Joseph Cortina will serve as Democrat lobbyist for association’s Capitol Hill team.

WASHINGTON, D.C.— Joseph Cortina has joined the Independent Insurance Agents & Brokers of America (IIABA or the Big “I”) Capitol Hill team as director of federal government affairs. He joins the association’s bipartisan lobbying team primarily as a liaison to Democrat congressional offices.

Cortina comes to the Big “I” from the office of House Democratic Whip Steny Hoyer (D-Maryland), where he was responsible for staffing Rep. Hoyer in his day to day duties managing both the House floor and vote counting operation. Prior to working for Hoyer, Cortina was a campaign staffer for former Rep. Pete Gallego (D-Texas). He earned his bachelor of arts in political science from the University of South Carolina.

Nationwide Will Fully Transition to Independent Agency Distribution Model by July 2020

Columbus, OH— As part of ongoing efforts to give agents the flexibility they need to grow and thrive, Nationwide is announcing its intention to shift entirely to an independent agency distribution model by July 1, 2020. The company is one of the largest carriers that currently sells products through both exclusive and independent agents.

Approximately 2,000 existing agents who have been operating under the Nationwide brand will have the opportunity to transition to an independent agency model between now and July 1, 2020. The company already has relationships with more than 10,000 independent agents across the United States.

Positioning agents, members and Nationwide for long-term success

“We don’t anticipate any changes for members. Agents will continue to serve members as they have in the past and still have access to Nationwide’s broad range of insurance and financial services products,” said Mark Berven, President & Chief Operating Officer of Nationwide Property & Casualty. “Nationwide is committed to offering members a distribution point that works best for them, while providing long-term growth opportunities for our agents.”

Nationwide will continue to offer direct-to-consumer options for members who choose to do business online or over the phone.

Benefits of moving to an independent model

Nationwide has been working to provide its exclusive agents with more flexibility and choice over the past several years. In moving to an independent model:

- Agents will maintain access to Nationwide’s breadth of products, while receiving more flexibility to use other carriers.
- Agents will be better able to attract and retain commercial lines business – a segment predominantly served by independent agents.
- Agents can access investment capital in their agencies over the long term and leverage it to drive growth.
- Agents will receive control over succession planning and choice of what to do with policies at a future date.
- Agents will enhance their long-term viability by diversifying

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their revenue streams and offering their clients access to industry expertise through multiple carriers.

- Agents’ ability to acquire and integrate independent agencies will be near seamless.

**Multiple options for consideration**

Exclusive agents will have several options to transition to an independent contract by July 1, 2020. As agents transition, they may continue to work as a Nationwide agent and operate as they do today. Once transitioned, agents will be able to broaden their partnerships and the products they offer.

“We’re sharing our plans with agents now so they can have as much time as possible to review their options and plan for the transition,” Berven added. “Market dynamics, customer preferences and increased desire by exclusive agents for more flexibility make now the opportune time to move to a fully independent model. It will create a win-win for our distribution partners, and ultimately, our members.”

**About Nationwide**

Nationwide, a Fortune 100 company based in Columbus, Ohio, is one of the largest and strongest diversified insurance and financial services organizations in the U.S. and is rated A+ by both A.M. Best and Standard & Poor’s. The company provides a full range of insurance and financial services, including auto, commercial, homeowners, farm and life insurance; public and private sector retirement plans, annuities and mutual funds; banking and mortgages; excess & surplus, specialty and surety; pet, motorcycle and boat insurance. For more information, visit www.nationwide.com.

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**Marijuana Acknowledgment Form Now Available**

As the number of states legalizing marijuana continues to rise, so do the risks insurance agents face when placing related coverages. Whether it’s the lack of standard markets and product offerings or the coverage issues stemming from the state and federal law conflict, your members need to make sure their clients are aware of marijuana-related insurance challenges.

To help your members avoid an errors & omissions claim in the marijuana market, encourage them to ask clients to acknowledge their risk in writing with the new Big “I” Professional Liability Marijuana Acknowledgement form.

This form not only identifies many of the exposures inherent in marijuana-related operations, but is also customizable to include state and placement specifics. Most important, the form requires a signature so clients can acknowledge that they understand the risk.

Help your members start decreasing their E&O risk when placing marijuana-related coverages—spread the word about the Marijuana Acknowledgement form, now available for download on the E&O Happens website (https://rms.iibaba.net). You will need your sign on credentials. This joins several other ‘Sample Customer Letters’ to assist you with your clients and business.
Chesapeake Employers Insurance Declares $20 Million in Corporate Dividends

(TOWSON, MD.)—The Board of Directors of the Chesapeake Employers’ Insurance Company is pleased to declare a $20 million dollar corporate dividend to qualifying policyholders who have contributed to the company’s financial success. Ten million dollars a year will be paid out over two consecutive years beginning with July 1, 2018 renewal quotes.

“Those who will receive a dividend are qualifying policyholders whose loss ratio proves they are committed to workplace safety, preventing injuries, and helping employees return to work,” said Chesapeake Employers’ President and CEO Tom Phelan. “More than 20,000 Maryland policyholders will receive a portion of the $10 million dividend for their 2017 performance. Their commitment to safety has contributed to our success, and we’re delighted to share our success with them. After all, keeping workers safe on the job and preventing accidents is worth rewarding.” To see more go to https://www.youtube/watch?v=FuN3P6B_8w&feature=youtu.be

Dividends are based on performance and are not guaranteed. The corporate dividend was approved by the Maryland Insurance Administration.

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- On site book roll-over assistance
- Carrier appointed claim adjusters and in-house claim examiners following a flooding event
- The knowledge that participation supports Big “I” advocacy efforts on Capitol Hill

Learn more and sign up today at www.independentagent.com/Flood.
IIABA’s National Legislative Conference was a huge success. The event held April 18-20 precedes the National Board meeting. Maryland’s contingency was the largest it has ever been with 13 agents visiting our Congressional offices.

Their day began early when they met for the Legislative Breakfast at 7am. This year the Maryland delegation was seated at the front of the room, actually table #1. This, due to their newly obtained ‘Eagle Status’. ‘Eagle Status’ is presented to associations attaining a $100 per agency contribution level to InsurPac (federal PAC). It was also great seating as one of the speakers was Maryland’s own, House Democratic Whip Steny Hoyer. Also speaking at the morning event was Senate Majority Leader Mitch McConnell (R-Ky.)

Our agents were available to meet with both Senators and all of our Congressional members with the exception of Congressman Elijah Cummings, whose office was unwilling to meet with us.

The agents met and discussed key issues affecting the independent agent. Issues such as Health Care, Insurance Regulatory Reform, Crop Insurance, Cyber Issues and Insurance, and Flood Insurance, were the key issues addressed by our delegation.
Albert “Nickel” Lietzau, V

**Employer:** H.U Dove & Company  
**Title:** Cyber & Captive Specialist  
**Years in Industry:** 7  
**Email:** alietzau5@hudove.com  
**Phone:** 410-727-2211 x606

**What do you like to do in your spare time?**  
My wife and I welcomed our baby boy to the world last summer, so we spend as much time with him as we can. Otherwise, I love to play golf, tennis, and paddle tennis. Board games and card games are favorites as well.

**What is your favorite thing about living in Maryland?**  
The small town feel of Baltimore, the ability to be in either the mountains or the ocean within a few hours, and the delicious food.

How did you get into insurance?  
I feel like I grew up in the insurance industry with my dad and grandfather owning our agency. I started at H.U. Dove a few months after college by helping with marketing and then earned my P&C license a few months after that.

What aspect of your job brings you the greatest joy?  
Talking to people and helping them solve problems they’re experiencing.

How do you see the industry changing in the next 5-10 years?  
Technology, mobile devices, big-data, and automation will streamline the insurance experience for consumers, agents, and carriers alike; however, the independent agent will continue remain the most trusted resource for insureds when contemplating their insurance needs.

Who/what has been your greatest resource in the industry?  
My dad’s office is nine paces away from mine, and as a lifelong insurance professional himself, he’s my number one go-to resource.

What are three tips you would give to new young agents?  
1. Read the policy forms. They’re legal documents, so if you’re selling them, you should understand what they say.  
2. Take a class and learn something new. Insurance is vast and complicated, so there’s always an opportunity to understand an unfamiliar concept.  
3. Join the YAC to meet other young agents, have new experiences, and further your career.

What is your favorite thing about living in Maryland?  
The small town feel of Baltimore, the ability to be in either the mountains or the ocean within a few hours, and the delicious food.
Maryland’s **Young Agent Committee** held their first official Meet & Greet Happy Hour on February 22 at Of Love & Regret in Baltimore

The event was generously sponsored by YAC member Tammy Good and BBSI. 25 young agents mingled with the MD YAC Board over cocktails and hors devours discussing various topics. Maryland YAC membership doubled after the event, with many agents continuing to mingle well after the event ended.

The Maryland Young Agent Committee will be hosting additional events throughout the year as part of their initial membership drive. Last June, the MD YAC raised funds through a raffle at IIAM’s Annual Conference & Installation Dinner to support the Maryland Center for Veterans Education & Training (MCVET). This year, the MD YAC will be supporting MCVET by registering a team for their 23rd Annual 5K/10K Races and Walk on June 10, 2018. Anyone may register at https://runsignup.com/Race/MD/Baltimore/MCVET5K10KWalkorRun. Under “Group/Team” select “MD Young Agents Committee.” We look forward to seeing you there!

The goal of the Young Agents Committee is to help young agents aged & under break into a seemingly veteran industry while encouraging statewide networking with peers on a social, educational and charitable level. We hope to provide valuable tools to begin or continue a prosperous insurance career, as well as encouraging participation in shaping the future of the independent agency system and the association.

If you are an insurance agent in Maryland, aged 40 & under, and would like to join this dynamic group of young insurance professionals, go to www. iiamd.org/MDYAC. For additional information on future events and membership, feel free to call IIAM’s office, 410-766-0600, or contact any YAC Board members.

(Con’t on page 26)
May 10, 2018
Insurance Ethics
Stanley Lipshultz, CPCU
9:00 AM - 12:00 PM

May 10, 2018
Insurance Ethics
Stanley Lipshultz, CPCU
1:00 PM - 4:00 PM

May 16, 2018
Commercial Automobile Insurance
Don Dudey, CPCU
9:00 AM - 3:30 PM

May 24, 2018
Commercial Liability Insurance
Don Dudey, CPCU
9:00 AM - 4:30 PM

June 5, 2018
Maryland Bail Bonds
9:00 AM - 1:00 PM

June 13, 2018
Personal Lines Related Coverages
Pamela Dodge, CIC, CPIA, ACSR
9:00 AM - 3:30 PM

June 19, 2018
E&O Risk Management: Meeting the Challenges of Change
Stanley Lipshultz, CPCU
9:00 AM - 3:30 PM

June 21, 2018
Other Commercial Insurance
Don Dudey, CPCU
9:00 AM - 4:30 PM

(Con’t from page 25)
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