

# PIA<sup>®</sup> Connection

March 2002

National Association of Professional Insurance Agents

## GAO: Lack of Terror Cover Causing Problems

The General Accounting Office (GAO) released a report February 27 saying that large business and property owners around the country are having increasing difficulty obtaining insurance for terrorist acts.

The GAO says that is creating problems that could ripple through the economy. Losing terrorism insurance could put many companies and properties in technical default of their loans and mortgages.

PIA submitted testimony at the request of the GAO, which was used in preparing the report.

PIA National supports Congressional action creating a temporary federal backstop for U.S. domestic terrorism insurance coverage. Read the full PIA position paper entitled *Federal Backstop for U.S. Domestic Terrorism Insurance* on page 9. ■

## Inside this issue

- President's Letter .....2
- LaFalce Introduces Bill .....3
- Carl Gaspar on Standards ...5
- Cell Phones Expand Liability .6
- PIA of PR & the Caribbean Launch Ad Campaign .....7
- PIA Position Papers .....8-9
- Agency Agreements .....10
- PIANET Traffic Surges .....11
- PIAPAC Dinner .....12



**PIA Agents in Washington, D.C.** The U.S. Capitol building is the destination for members of PIA participating in the 19th annual Federal Legislative Summit, March 14, 2002.

## PIA Members Converge on Washington, D.C. Support of State Regulation, Terrorism Backstop Are Top Issues

**P**IA members are set to converge on our nation's capital March 14, 2002 for PIA's 19th annual Federal Legislative Summit and annual PIAPAC dinner.

The annual PIA Federal Legislative Summit is a gathering of PIA members from across the nation. It is a one-day legislative "fly-in" by PIA members who spend a day lobbying their elected representatives in their Capitol Hill offices.

The Summit begins with a breakfast and briefings at the Capitol Hill Club. After that, it's a day on the Hill to meet with lawmakers. In the evening, the PIA Political Action Committee (PIAPAC) holds its annual gala PIAPAC Fundraising Dinner.

### Federal Chartering

The 2002 PIA Federal Legislative Summit occurs as a number of proposals calling for the optional federal chartering of insurance companies are being championed on Capitol Hill, including bills by Sen. Charles Schumer (D-NY) and Rep. John J. LaFalce (D-NY).

PIA opposes federal chartering and supports

functional state regulation of insurance. The PIA position supports an alternative national standards proposal for insurance regulation that strikes a balance between the need for national uniformity in standards, and the demands of emerging multi-state markets.

"PIA members are coming to Washington to educate Congress about why a dual federal-state system of insurance regulation will not work and is not in the public interest," said PIA Senior Vice President of Government Affairs Patricia A. Borowski. "Lawmakers must realize the need to strike a balance between the need for national uniformity in standards and the demands of our emerging multi-state markets, within the framework of functional state regulation," Borowski said.

"All these proposals floating around to federalize insurance regulation only serve to illustrate the importance of direct involvement by agents in the legislative process," said PIA National President Steven J. Harter.

"What we are seeing is a continued effort by

## From the President



**A**s you read this, some of your fellow PIA members are joining me on a quick trip to Washington, D.C for the 2002 PIA Federal Legislative Summit. We will be making PIA's case on a number of issues crucial to agents during visits to the offices of our elected representatives on Capitol Hill.

Over the past several years I have been pleased to take part in our Federal Legislative Summit, and witness first-hand the great reception afforded to PIA members by Members of Congress and their staffs.

Our volunteers on the Federal Affairs, Regulatory Affairs and the Business Issues committees deserve special recognition for their yearlong efforts to study the issues important to us and formulate our policy positions. And I appreciate the great support provided to us by the PIA National staff that brief us and arm us with briefings, position papers and talking points for our congressional visits.

Every year when we take these trips to Washington, independent insurance agents are facing real threats to their businesses — often, either because of something Congress is considering doing, or something Congress has failed to do. This year is no exception.

In the "considering doing" category, we have numerous proposals for enactment of some form of federal regulation of insurance. PIA remains opposed to such a federalization, and that's one of the messages we'll be delivering to our lawmakers.

By the way, if it seems like this is like a bad dream that just keeps recurring, it is. On my last visit to the PIA headquarters in Alexandria, Virginia, I was flipping through some of our old publications. It should come as no surprise that our association was fighting proposals for the federalization of insurance regulation in the 1940's.

In the category of "Congress not doing," there's the matter of the lack of a terrorism insurance backstop. Lawmakers have yet to enact this important legislation, placing our Industry in a no-win situation. A temporary federal backstop is the only way to provide the stability the market needs in the event of another terrorist attack. That's another message we'll be delivering to the Hill.

Every time I get my first glimpse of the Capitol Dome, I get a great sense of pride. As independent insurance agents, we all like to believe that we are good business people and contributing members of our communities. Participating in the Federal Legislative Summit fulfills my need to support my industry and my country.

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# Representative LaFalce Introduces Optional Federal Charter Bill

By Peter Bizzozero  
Director of Federal Affairs  
PIA National

In last month's edition of PIA Connection I discussed optional federal charter as an issue that was gaining momentum in Congress. At that time, I mentioned that Senator Charles Schumer (D-NY) and Representative John LaFalce (D-NY) were drafting legislation on this issue. Since then, Representative LaFalce has introduced a bill. His bill, H.R. 3766, is entitled the Insurance Industry Modernization and Consumer Protection Act.

Now that Representative LaFalce has introduced his bill, I thought I would provide a more detailed look at the legislation. As you will recall, last month I discussed briefly what we understood would be included in the bill. PIA members can read the full text of that article in the password-protected PIA Members section of [www.PIANET.com](http://www.PIANET.com).

The bill introduced by Representative LaFalce tracks closely to what was discussed last month, however, two major differences were included in the final version. First, it is made clear that any state law regulating the licensing of insurance producers is exempt from preemption, thus all agents and brokers would be required to comply with state licensing procedures. The other difference is a provision that would make the market conduct requirements and implementing regulations applicable to all insurance companies not just national insurers. The states would retain enforcement authority for all insurers that are not nationally licensed.

The act does address four issues of concern for agents. These include producer licensing, rate and form filing, consumer protection, and privacy. Let us look at how these issues are addressed.

## Producer Licensing

H.R. 3766 does not establish a licensing regime for agents and brokers. Instead it preserves state producer licensing laws. It also does not require that agents and brokers obtain a federal license or charter before they may sell policies or products of a national insurer. Agents and brokers who do not have a federal license or charter are not immune from regulation. The Director of the Office of National Insurers has limited regulatory and enforcement authority over state licensed agents and brokers that may be exercised in circumstances where the state licensed agent or broker is acting with regard to a policy or product of a national insurer.

## Rate and Form Filing

The Director of the Office of National Insurers has the authority to issue regulations that establish standards governing policy form requirements. The standards may include general requirements as to policy provisions and specific requirements applicable to particular classes of policies. All policies written by national insurers would be required to comply with these federal standards. No national insurer may issue a policy until the form has been filed with and approved by the Director of the Office of National Insurers.

H.R. 3766 does not preempt state rate laws. Thus, notwithstanding any other provision of the bill or any other law, each national insurer and each insurance policy issued by a national insurer remains subject to all state laws, rules, regulations, orders and actions that regulate the rates for insurance.

## Consumer Protection

H.R. 3766 contains extensive consumer protection provisions. The Director of the Office of National



Insurers is authorized to issue regulations regarding unfair/deceptive practices, unfair discrimination, unlawful inducements and fraud. The bill also contains two strong anti-redlining provisions. These provisions, mentioned in last month's article, could affect agents and brokers who sell products of national insurers. The provisions prohibit national insurers from engaging in or allowing discriminatory conduct, thus agents and brokers selling their products could be required to comply with the provisions. Finally, there is a provision that establishes national minimum standards with respect to sales and marketing practices of all insurance companies, federally chartered or not.

It should be noted that the bill contains a consumer protection provision that threatens to undermine the careful balance that the Gramm-Leach-Bliley Act (GLBA) establishes in favor of bank regulation of insurance sales activities. This section is unnecessary because it merely parrots the GLBA requirement and appears misplaced because no other section in the Act focuses solely on sales activities.

## Privacy

Title V of the GLBA is amended to create a separate privacy regime for all national insurers. National insurers thus would not longer be subject to state privacy regulations but to privacy regulations issued by the Director

*continued on page 15*

## Looking for life insurance coverage for your agency?



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To find out how the PIA Services Group Insurance Fund can help you, your employees and families obtain affordable life insurance coverage, please contact your local PIA affiliate or the Plan Administrator:

Marsh Affinity Group Services, a service of Seabury and Smith  
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Toll Free - 1-800-336-4759 • [www.seaburychicago.com](http://www.seaburychicago.com)

All plans are underwritten by Unum Life Insurance Company of America



# Standards: You Got to Be in It to Win It

Focus on Technology

By Carl Gaspar

I can't help but think of lottery jackpot catchphrases when discussing ways to make agency life easier. And no, I don't mean to say that the chance of simpler workflow is equal to the odds of hitting the lottery. The phrase "You got to be in it to win it" sums it up best.

Like the lottery, if only one person buys a ticket, the odds of winning couldn't be better, but what is it that you've won - a dollar. If only one company implements standards, it may be easy but what did it get - one business partner? To be a part of the world that implements standards for insurance transactions is to make life in this industry easier.

I've been in this business for more than thirty years. During that time as an agent, I've had to deal with different workflows for every company I represented, different processes for every system or product brought into this agency. The inefficiencies, re-keying, errors and training issues have been enormous. Through my years with ACORD, I have come to firmly believe that industry standards hold the key to resolving these issues.

It is an honor to be named chair of the ACORD Board of Directors, to help guide the efforts to establish a set of standards that will allow the transactions within the value chain to be as seamless as possible. ACORD calls this seamless flow of information "straight through processing."

The vision of straight through processing (STP) is a workflow where all your business partners share information easily without re-entering any data. From customer to agent/broker to carrier and reinsurer, data is entered once and accessible anywhere along the chain.

From an agency standpoint, STP provides real-time service and the ability to not have to re-key information in over and over. This alone provides better customer service, easier and more accurate communication with the insurance company (and reinsurance company) and an overall reduction in operating expenses for all parties.

Insurance companies also benefit from the implementation of standards. STP reduces administrative costs, provides accurate information effortlessly and allows staff members to do more of what they are paid to do, focus on underwriting and risk assessment.

Implementing standards not only improves efficiency and workflow processes but opens the door to a whole new world of possibilities. Technology no longer drives business decisions, what markets you enter and who you partner with, but rather supports those strategic plans. Standards



enable new partnerships and expanded market reach. In order to work with these new markets, agents, insurers, reinsurers and the like need to be able to communicate with one another. Implementing standards makes this possible, and allows you to open your business to markets you may never have expected.

As agents, we have the ability to help drive implementation. When you're looking at a vendor's systems, make sure they're based on ACORD industry standards. When you are considering new markets, look for those that are easy to do business with because they have implemented the industry standards. Agents are the ultimate users of these systems. We should insist our business partners play in the standards world.

You have most likely heard the story about the man who, while getting eggs and milk for the family, forgets to pick up his lottery ticket. And, of course, the day he doesn't play his numbers hit. Fortunately, it's not too late to grab your ticket to win the life of simpler agency workflow, but you got to be in it to win it. ■

*Carl Gaspar, CPCU, CIC is currently Chairman of ACORD, chairs the Industry Affairs Committee of AMSUG, and is the is past Chair of the PIA National Business Issues Committee, serving this year as a participating member. He represents all PIA members on ACORD. Carl is president of Gaspar-Jones & Associates, Inc., based in Greenwood Village, Colorado.*

## Cell Phones May Expand Employer Liability

By Ellen Sanders

Employers may be held liable for injuries or death of third parties in auto crashes caused by employees who are talking on cellular telephones at the time of the crashes, according to two cases highlighted in a recent edition of *Business Insurance*.



In the first case, Dyke Industries Inc. was ordered to pay approximately \$21 million to a woman injured in a crash involving one of Dyke's salesmen.

At the time of the crash, the Dyke salesman was on a cellular telephone talking to one of his clients. Relying on the theory that the salesman was acting within the scope of his employment when the accident occurred, Dyke was alleged to be vicariously liable for the injuries.

On December 14, a jury awarded the injured party and spouse \$20.9 million, an amount that exceeded the company's commercial auto insurance coverage. Being on the cellular telephone was not in and of itself negligent, but it was a factor.

In the second case (in Virginia), the family of a 15 year old girl brought a wrongful death suit against both the driver of the car that hit and killed the girl as well as the driver's employer.

At the time of the crash, the driver, an attorney, was on a cellular telephone, allegedly conducting business. The surviving family alleges that the employer-law firm is vicariously liable and directly negligent.

As in the first case, the family contends that the driver/attorney was talking to clients and thus was acting within the scope of the business at the time of the crash.

But, going beyond the above case, the employer was alleged to be negligent for encouraging employees to use cellular telephones to conduct business while failing to provide guidelines or instructions to employees on the safe use of such telephones.

When the employer sought to be removed from the case on the grounds that the employee was driving home at the time of the crash and thus was not acting within the scope of employment, the court denied the request.

In making this decision, the judge indicated that the issue of whether the employee was acting within the scope of the employment was a matter for the jury to decide.

These cases could have implications for both insurance agencies and their commercial clients. They expand employer liability for crashes of employees conducting business on a cellular telephone while driving. And this at a time when the number of crashes involving cellular telephones is on the rise.

In the long run, many states may ban the use of any cellular phone, handheld and hands-free. Several states are following New York's lead and banning use of handheld phones while driving. Other states feel that existing laws prohibiting distracted driving of any kind are sufficient to cover car phone distractions. Still others are considering this type of legislation this year.

So what can an employer do now? A first step would be to adopt a written policy that encourages employees to use hands-free cellular telephones while driving or discourages all manner of cellular telephone use while driving. This should be accompanied by the distribution of educational materials on the safe use of cell phones.

Finally, employers need to review their insurance policies to ensure that they have adequate coverage for these potential liabilities. ■

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# “Conozca a Su Agente o Corredor de Seguros!”

## PIA of Puerto Rico & the Caribbean Launches Ad Campaign

By *Lemuel Toledo Campos*  
National Director  
PIA of Puerto Rico & the Caribbean

**P**IA of Puerto Rico & the Caribbean has started a newspaper ad campaign in the automobile sales sections of the leading local newspapers. This campaign to educate car buyers is co-sponsored and endorsed by the Puerto Rico Insurance Commissioner and the Consumer Affairs Department. So far, it has been a big success, with articles about the campaign running in several newspapers, including the San Juan Star.

The ads appear in the automobile sales sections of the leading local newspapers. The PIA logo is prominently displayed alongside the logos of the Puerto Rico Insurance Commissioner and the Consumer Affairs Department.

Themes for the PIA ads include “Conozca a su agente o corredor de seguros!” (Know your insurance agent or broker); “¿Firma usted cheques en blanco a un extraño?” (Do you hand a blank, signed check to a stranger?); and “Antes de comprar un automóvil” (Before you buy an automobile). Here is a sample of what PIA is advising consumers.

### Exija que el agente o corredor le muestre la licencia.

**Demand that the agent or broker show you his/her license.**

The insurance business is very technical and therefore enjoined with the highest public interest. That is why the law requires a license to any person that offers, explains or sells insurance.

Make sure you are protected by the law! Only buy insurance from persons duly licensed by the Office of the Commissioner of Insurance that is there to defend the consumer.



### ¿Firma usted cheques en blanco a un extraño?

**Do you hand a blank, signed check to a stranger?**

When you sign a blank auto finance contract you are doing the very same thing! You are blindly putting yourself in the hands of a stranger.

- Wait for the contract to be completely filled out
- Make sure it reads what you agreed to
- Sign only if it is correct
- Then enjoy your automobile

### Antes de comprar un automóvil:

**Before you buy an automobile:**

- Get finance quotations from various institutions
- Get insurance quotations from authorized agents or brokers
- Make them compare for you the cost of an annual with a (multiannual) prepaid policy
- Make sure you really need the additional insurance coverages offered

Once you have all that clear, only then go to the car dealer that offers you the best price and service.

### Conozca a su agente o corredor de seguros

**Know your insurance agent or broker**

- The insurance business is based on the promise of future payment for unexpected loss.
- Chances of your suffering an accident or damage while you are paying the automobile loan are very high.
- Keep in touch with your insurance agent or broker, you might need him any time.
- Don't wait until the time of a loss to find out if you made a good investment in the promise. It will be then when you need it most.

Make sure with your choice that the agent or brokers responds to you. Know him as you know your doctor or lawyer. See to it that he has made the necessary investments to assist you when you need him the most.

PIA of Puerto Rico and the Caribbean believes in being an activist association on behalf of our members and a business advocate for our customers! This ad campaign is just the beginning! ■

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*A PIA Position Paper*  
**Federal Optional Charters for Insurance**  
*February 2002*

## **Position**

PIA National is opposed to federal optional charters for insurance entities and the dual/parallel state-federal regulatory system that they require.

## **Background**

Senator Edward Brooke (R-MA) first introduced the concept in the late 1960's/early 1970's. Since that time, PIA continues to oppose this approach as functionally unworkable at the floor of the insurance marketplace. It creates at best frustration and at worst material legal conflicts through the creation of a state-federal insurance system. This neither serves the public policy goals of insurance regulation nor the interests of the public and policyholders.

Since insurance began in the U.S. no single carrier or class of carriers has been able or willing to write ALL the insurance coverages for any statistically significant portion of the U.S. public. There is no law or regulation that precludes a carrier or class of carriers from doing so today. But, no carrier or class of carriers has been interested in doing this for a defined territorial scope such as Fairfax County, Virginia.

Rather, it is a business recognition that carriers do best when they develop a defined, focused set of products best suited to a defined and targeted segment of buyers. Therefore, in today's market the vast majority of insurance policyholders are served by a wide array of carriers/carrier types providing various forms of needed coverage.

Insurance works best when these heterogeneous inter-related client insurance portfolios operate under the same rules and laws. This already is challenging under the state-by-state system, given that the U.S. has 55 distinct insurance jurisdictions. However, this system has an over-riding advantage, 200 plus years of experience and expertise with the insurance marketplace. While it labors under a lack of sufficient uniformity, the state-system has been moving rapidly towards the goal of uniformity, pressured in part by Gramm-Leach-Bliley Act (GLBA).

Requiring an additional set of federal rules and oversight for federally chartered insurance entities would merely add a 56th jurisdiction to the insureds' insurance coverage/legal mix. This could result in a consumer having one form of coverage from a state-chartered, state-regulated insurer needing to be coordinated with coverage from a federally-chartered, federally regulated insurer in order to have complete coverage and protection against one disaster.

Further, the insurance contract and most of the legal actions of those policies respond to legal and claims issues that are state-based, i.e. state tort, property, family, and contract law.

Last, functional state oversight is closer to policyholders, the public, third parties, and the highly territorial character of insurance exposure/risk, particularly in property and casualty insurance.

## **Current Situation**

Federal optional charters for insurance is an issue that is quietly gaining momentum on Capitol Hill. Both the Senate and the House of Representatives have been developing proposals to address this issue. A Senate proposal is being drafted by Senator Charles Schumer (D-NY). The House seems to be moving with a bit more speed than the Senate at this point. Recently, Representative John LaFalce (D-NY) introduced H.R. 3766, the Insurance Industry Modernization and Consumer Protection Act.

H.R. 3766 proposes to establish an optional federal chartering system for insurers. To its credit, the approach taken by H.R. 3766 responds to some of the criticisms raised against previous federal charter options. Unfortunately, H.R. 3766 advances the wrong solution: a dual regulatory system.

PIA has long supported a balance between the need for national uniformity in standards and the demands of emerging multi-state markets, within the framework of functional state regulation. This approach maintains functional state regulation of insurance while at the same time advancing needed modernization in insurance regulation. Neither the House bill, H.R. 3766, nor what is likely to be the Senate bill addresses this balance.

In short, creating conflicting, competing federal-state insurance jurisdictions is both unneeded and counter productive to effective oversight of the insurance industry. ■

A PIA Position Paper  
**Federal Backstop for U.S. Domestic  
Terrorism Insurance**

*February 2002*

### **Position**

PIA National supports Congressional action creating a temporary federal backstop for U.S. domestic terrorism insurance coverage.

### **Background**

The events of 9-11-01 opened a new chapter for U.S. domestic exposure to, understanding of, and management for terrorism events in this country. The U.S. insurance industry has been and is responding fully to the multi billions of dollars in claims. Unfortunately, the industry did not anticipate events of the magnitude of those on 9-11-01 and thus did not charge for or reserve capital to cover such expenses. As a result, capital that was committed for yet unrealized day-to-day claims events had to be committed.

Insurance at any level responds to events and nature of exposure/loss with which we have experience and data. We are able to underwrite and price anticipated risk by applying our professional expertise in determining scope and nature of loss events, their frequency and severity. The events of 09-11-01 have terminated the insurance industry's ability to make any reasonable, professional assumptions about the U.S. domestic terrorism exposure.

Recognizing the significance of this problem and the potential harm that it could cause, the insurance industry undertook efforts to stabilize the insurance market. These efforts took the form of advocating a temporary federal backstop for terrorism insurance coverage. The House of Representatives recognized the wisdom of the insurance industry's arguments and passed H.R. 3210, the Terrorism Risk Protection Act. While not a perfect bill, H.R. 3210 did represent a good first step. Unfortunately, the Senate was unable to pass legislation of its own and Congress adjourned without passing legislation.

### **Current Situation**

Congress' failure to act on this issue has had serious repercussions up and down the insurance chain, and is a serious drag on the recovering U.S. economy. PIA is concerned about the insurance marketplace for our clients. Beginning September 12, public statements by foreign (alien) reinsurers made it clear that terrorism coverage for U.S. domestic risks would not be included in any further reinsurance treaty offers.

In the non-admitted market all commercial business and personal lines specialty placement in "target areas" renewals came in completely excluding coverage for terrorism. Some non-admitted contracts were even changed mid-contract, especially in the Inland Marine and Marine insurance. Most of these exclusions stated that they did not intend to exclude coverage for losses stemming from riot, civil commotion or vandalism including hate crimes. Further, in the admitted market, accounts that had or were adding a mid-town New York City or any other major U.S. city exposure were not able to secure that coverage on their current policy. Many were not able to secure coverage for that limited exposure even when going directly through a New York City agent/broker or domestic carrier.

Clearly the need for a temporary federal backstop for terrorism still exists. The threat of future terrorist attacks is alive and well — Administration officials constantly warn of the danger. By not acting Congress has placed the industry in a no win situation. Carriers that choose to cover for terrorism will be left on the hook for untold sums, while those that do not cover will be forced to find business elsewhere.

A temporary federal backstop is the only way to provide the stability the market needs as it learns to deal with this new threat. ■

# Wait Before You Sign On the Dotted Line

## Some pointers for reviewing agent agreements

By Alyssa Smith  
Legal Analyst  
PIA National

So, you just received a copy of your (soon to be) carrier's latest agent agreement. You skim over the pages of the agreement. Yep, usual sub-headings are there—"commissions," "termination," "authority," etc. Looks OK right? Plus, you know other agents who work with this company. It's probably alright to sign it and you're not sure what you would do if it wasn't nor if you could tell if there was a problem in the first place.

Whether you feel your ability to analyze contracts is more sophisticated than the above scenario or not, the following are a few general pointers for reviewing agent contracts. By using these tips, you can better protect yourself from confusion about the meaning, as well as unfavorable provisions in an agency agreement.

**#1 Read through the agreement asking—"Does this make sense?":** A good contract should be easy to understand. Therefore, you should read through the agreement asking yourself, at the end of every sentence—"Does this make sense?" If you don't *completely* understand what's being said note the ambiguity. Remember, this paper is defining your obligations and rights which can have a potentially large impact on your livelihood. There are no stupid questions. If you have *any* questions about a provision's meaning, note it!

**#2 Beware of vague phrases:** While reading over your contract, look out for phrases that are vague and left undefined by the agreement. For example, if you see terms like "or otherwise" or "all others," don't just assume they make sense. If a contract is giving the carrier the right to take control of your book of busi-

ness or limit or terminate your authority based on your compliance with (1) terms that are not defined by the agreement or (2) terms whose meaning is not clear from the context of the agreement, this means there is room for interpretation and could be problematic. Significantly, greater latitude for interpretation widens the potential circumstances in which the carrier can (1) take control of your book of business, (2) limit your authority, or (3) terminate the agreement.

**#3 Send a letter, documenting your comments and questions, to the carrier's president or chief executive officer:** By writing up your comments and questions regarding the agreement and sending them in a letter to the carrier's president or chief executive officer, you accomplish a few positive things in terms of legal protection. One, by sending the letter to the company's president or CEO you give the insurer official "notice" of your problems with the contract. In the eyes of the law, to give "notice" to a company your grievances must be addressed to an authorized agent of that company. However, because it is not always easy to tell who qualifies as an "authorized agent," a good rule of thumb is to send your correspondence to the president or CEO, because they are always an "authorized agent" before the law. Second, the letter documents the fact, in the event of future litigation, that you considered certain parts of the contract "ambiguous." This modifies the insurer's claim that you understood what you were signing.

**#4 In your letter, ask for an authorized agent of the carrier to respond to your concerns in writing:** Once again, by receiving a response in writing, you create a nice paper trail or documentation of what was said,



in the event of future litigation. This is important because if you are told a provision means one thing, but the carrier acts contrary, you have more than their word to back-up your understanding. Also, make sure the response is sent by an "authorized agent" of the company or else it is possible that the company may not be bound by whatever is written in the response. If a representative from the insurer calls or meets with you to respond to your concerns, (1) make sure they are an authorized agent of the company and (2) request that, following the meeting, they write-up whatever they are saying to you. Make sure this follow-up letter is signed by an authorized agent.

**#5 Review the carrier's written response and prioritize any remaining issues you still have with the agreement:** If after reviewing the insurer's response you are still confused about issues, prioritize your remaining problems in order of their potential impact on your business. Then, you must decide whether (1) the response is satisfactory and you sign, (2) further clarification is necessary or change is desired to a particular provision, (3) on balance the

*continued on page 15*

## The 'Hits' Keep on Coming PIANET Site Traffic Reaches All-Time High

PIA's home on the World Wide Web is getting more visitors than ever.

As of the end of January, 2002 www.PIANET.com posted a 150% increase in web page views over the same month one year ago. In January 2001 PIANET displayed 30,366 web pages to visitors. By January 2002 that number had increased to 76,559 (see graph).

"While consumers may not be purchasing insurance over the Internet, insurance professionals find PIANET a valuable

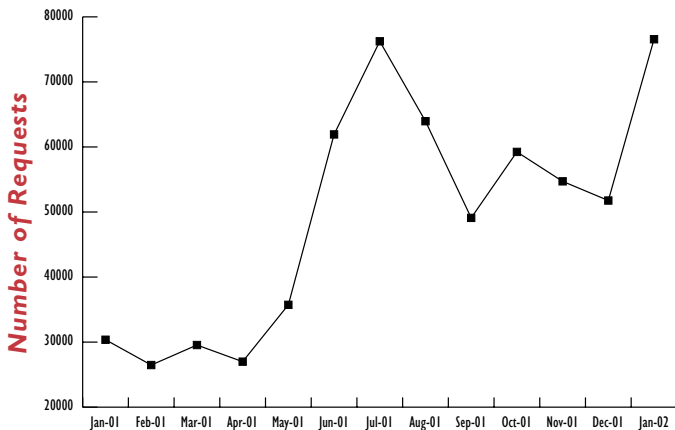
source of information about the industry," said PIA Senior Vice President of Government Affairs Patricia A. Borowski. "The password protected PIA Members section is constantly updated with information that gives our members a competitive edge."

The bulk of the increase in traffic on PIANET occurred after the site underwent a major renovation last summer. Content was reorganized to better serve users, the site was given a graphic facelift and a password protected section was created.

"More people are using PIANET because it has more of the information independent insurance agents need," said PIA Vice President of Communications Ted Besesparis. "PIANET provides a showcase for that voice that can be updated on a moment's notice."

"The changes that have taken place over the past year are only the beginning," said PIA Communications Manager Alexi Papandon. "Like our members, PIA is constantly examining ways in which technology can be used to improve our services."

Founded in 1931, PIA is a national trade association that represents member insurance agents and their employees who sell and service all kinds of insurance, but specialize in coverage of automobiles, homes and businesses. ■



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(see affiliate listing on page 15)



## PIA Members Converge

continued from page 1

various groups who didn't get everything they wanted in the Gramm-Leach-Bliley Act (GLBA) to enact a sequel — a 'GLBA-2' — that gives them everything they didn't get in the first go-round. It should come as no surprise to independent insurance agents that the banking industry is one of the strongest proponents," Harter said.

### Terror Backstop

PIA members will also be urging their lawmakers to enact a terrorism insurance backstop that would provide market stability in the event of another attack similar to the ones on September 11, 2001. Congress failed to enact legislation providing for such a backstop before adjourning in December 2001.

"Clearly the need for a temporary federal backstop for terrorism still exists," said PIA Director of Federal Affairs Peter Bizzozero. "The threat of future terrorist attacks is alive and well. Administration officials constantly warn of the danger. By not acting, Congress has placed the industry in a no-win situation. Insurance companies that choose to cover for terrorism will be left on the hook for untold sums, while those that do not will be forced to find business elsewhere."

"One of the factors that will determine the level of success achieved by independent insurance agents is their willingness to get involved personally in the political process," said PIAPAC Chairman W.N. "Buddy" Oliver, Jr. of Jackson, Mississippi. "The stakes are much higher now. We all must participate." ■



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## PIAPAC Dinner Highlights Federal Legislative Summit

### Top Contributors Recognized, Person of the Year Honored

One of the highlights of each PIA Federal Legislative Summit is the PIA Political Action Committee (PIAPAC) Dinner that concludes the daylong event. This year's PIAPAC dinner will be held Thursday, March 14th at 7:00 p.m. at the District ChopHouse & Brewery in downtown Washington D.C. Voted "Best New Restaurant in 1998," the District ChopHouse & Brewery provides a stylish atmosphere reminiscent of the 1940's.

The evening's program will feature the recognition of exceptional PIAPAC contributors in 2001.

Members of the Chairman's Caucus (donors contributing \$500 or more throughout the year) and President's Circle (donors contributing \$1000 or more throughout the year) will be recognized by W.N. "Buddy" Oliver, PIAPAC Chairman, for their contributions to PIAPAC.

PIAPAC's top honor, the PIAPAC Person of the Year, will conclude the awards program. The winner of this award is chosen based upon his/her dedication to PIAPAC during the previous year. Last year, longtime PIAPAC member and current Federal Affairs Committee Chairman Mark Lauderdale of Cushing, Oklahoma, was presented as the PIAPAC Person of the Year.

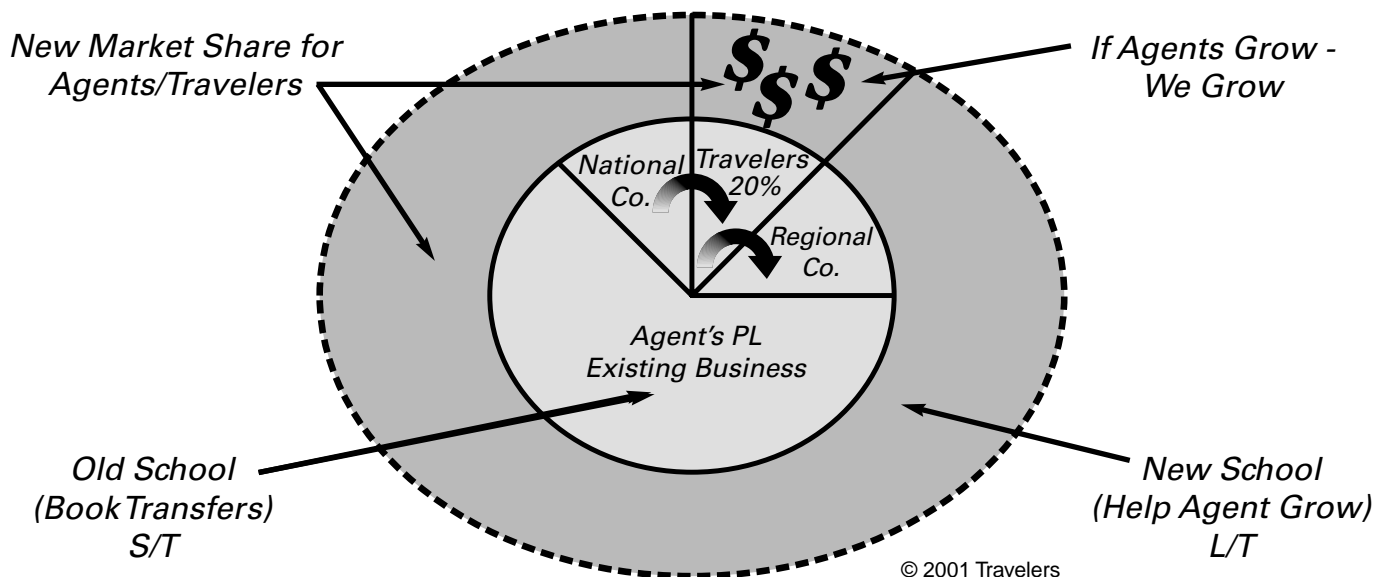
PIAPAC helps individual agents combine dollars into amounts sizeable enough to compete with big-dollar contributors in the ongoing effort to help reelect those members of Congress that champion our issues. For more information on how you can become involved with PIAPAC, please contact Kellie Bray, Director of Political Affairs, at [kelliebr@pianet.org](mailto:kelliebr@pianet.org). ■

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## A Multitude of Member Benefits Local PIA Affiliates Have a Lot to Offer

For the past year, this column has been devoted to informing PIA members of the many products and services available through PIA National. From insurance products to services that improve the way your agency does business, your PIA member benefits can have a direct impact on your bottom line.

This column's anniversary is a good time to remind you that you also have many member benefits available to you through your local PIA affiliate. These benefits differ in every state but may include educational opportunities, insurance products and other products and services designed to enhance the way you do business.

Whether you use products and services offered by PIA National or your local PIA affiliate, you can be sure that you will be receiving benefits that have been made possible by the negotiating power of a large national association. Furthermore, as a PIA member, your happiness is important to our chosen vendors as well as PIA staff. ■

For more information about PIA member benefits, please visit [www.PIANET.com](http://www.PIANET.com) or contact your local PIA affiliate using the contact information found on page 15 of this newsletter.

Next month in PIA Connection:  
**NAIC President Therese M. Vaughan**  
on state regulation

### E&O Ask the Underwriter

**E&O Tip:** We all know that it is very important for every agency to take the time to review policies at renewal, not only to be sure that coverage's are maintained, but also so they may recommend additional coverages. Times change and so do coverages. Customers are usually not aware that additional coverages may be available that were not previously available. It falls upon the agent to inform them and offer the coverages - just as it is important to obtain some sort of documentation if the new/additional coverages are rejected by the insured.. ■

Have a question for the underwriters? Send it to E&O Ask the Underwriter at [E&Oquestions@pianet.org](mailto:E&Oquestions@pianet.org). Selected questions will be addressed each month on this page. All personal information will be kept confidential. No names will be printed in this column and we reserve the right to edit all questions for length and clarity.

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**PIA Opposes LaFalce**

*continued from page 3*

of the Office of National Insurers.

Shortly after the introduction of this legislation, PIA issued a press release opposing the approach taken by Representative LaFalce. In doing so PIA reiterated its longstanding position supporting functional state regulation of insurance while at the same time supporting needed change in insurance regulation. PIA staff members continue to work to draft legislation reflective of this philosophy. ■

*Peter Bizzozero can be reached at peterbi@pianet.org*

**Wait Before You Sign**

*continued from page 10*

pros outweigh the cons or (4) the contract isn't for you.

Of course, in addition to taking the above listed actions, a PIA member can always take advantage of the contract review service offered by PIA National. However, our review is not legal analysis. Rather, we share with you our questions, noting areas needing clarification. Further, based on our experiences, we can also advise the unique or common nature of a provision. The decision of whether to proceed and sign a contract or make other accommodations is each individual member's decision. This is because each member's preferences and tolerances are individual. To the extent we see global issues in the contract, those are the ones we share with the carrier and agent in our review. Yet, the issues you place emphasis upon are particular to your business and ultimately must be decided by you. ■

*Attorney Alyssa Smith can be reached at alyssasm@pianet.org.*

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## In Brief

### GAO Report on Terrorism Backstop

"Since the September 11th attacks, the key dynamic taking place in the insurance industry has been a shifting of the risk for terrorism-related losses from reinsurers to primary insurers and then to the insured. Reinsurers and insurers have begun shedding their exposure to terrorism risk as insurance contracts have come up for renewal, leaving policy holders increasingly exposed to losses from a terrorist attack."

"As businesses both large and small are faced with uninsured losses that threaten their ability to survive, Congress could be faced with a time-critical decision to intervene or not. A decision not to act could have debilitating financial consequences for businesses, together with their employees, lenders, suppliers, and customers."

—From "Rising Uninsured Exposure to Attacks Heightens Potential Economic Vulnerabilities," a General Accounting Office (GAO) report on the need for a federal terrorism reinsurance program, released February 27, 2002

**Quotable:** "To his credit, Rep. LaFalce's bill responds to some of the criticism raised toward previous federal charter options. Unfortunately, he takes the wrong approach by using a fatally flawed concept -- optional federal charter in a dual regulatory system."

—PIA Senior Vice President of  
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Patricia A. Borowski

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