CPCU SOCIETY INSURING YOUR SUCCESS

Claims Interest Group

Volume 29 • Number 3 • September 2011

Claims Quorum

Message from the Chair

by Tony D. Nix, CPCU, CIFI

Tony D. Nix, CPCU, CIFI, is a special investigations unit (SIU) team manager for State Farm in Atlanta, Ga., and has been employed with State Farm for more than 25 years. He obtained his bachelor's degree in management from the University of West Georgia, and earned his CPCU designation in 1999 and the CIFI (Certified Insurance Fraud Investigator) designation in 2000. Nix has served on the Claims Interest Group Committee since 2001 and is an active member of the CPCU Society Atlanta Chapter, with prior service as director, secretary, president-elect and president.

We have all heard the old saying that time flies when you are having fun. Nothing could ring more true as it relates to my involvement with the Claims Interest Group as both a committee member and, most recently, the interest group chair. As I near the end of my term as chair, I reflect back over the last 10 years and recognize the many new friendships developed and the knowledge gained from my exposure to such a group of insurance professionals. Historically, the Claims Interest Group has been considered a leader among other Society interest groups. That distinction does not come by accident but rather by the dedication and hard work of the committee members in developing and presenting educational material that is of value to our membership. While all the committee members have contributed to our success, I must say that I personally have gotten back more than the efforts I have put into the group. As a result, my business acumen has been enhanced, and my understanding of the insurance industry is more well-rounded.

With my term as chair expiring after the CPCU Society Annual Meeting and Seminars in Las Vegas, I step aside for the incoming chair, **Barbara Levine, CPCU, J.D.,** to put her mark on the interest group. Barbara has been involved with the committee for a number of years, and I look forward to seeing the tremendous work she and her committee members will produce in the next three years. I would very much like to acknowledge the individuals who have positively influenced my experience as an interest group and CPCU Society volunteer. However, space is at a premium and the list would be long. I hope to see many of you in Las Vegas so I can express my appreciation in person.

Continued on page 2

What's in This Issue

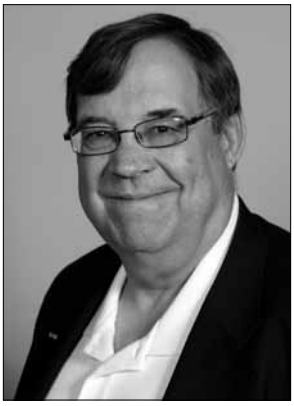
Message from the Chair

Continued from page 1

As one chapter closes, another one begins. I have the fortunate opportunity to continue my Society service as an interest group governor. I look forward to what the future holds for me serving the Society in this capacity. When I obtained my CPCU designation in 1999, I had no idea how much the Society would ultimately contribute to my development as a leader and industry professional. I strongly encourage you to take advantage of these developmental opportunities. I suspect you will find the experience as rewarding and fun as I have over the years. With this, I say thanks to all the committee members I have served with during the last 10 years. Some have come and gone, while others have just begun their Society service. I consider each you a friend and owe each of you a debt of gratitude for allowing me to hang out with you. To steal a phrase from the late, great **Bob Hope**, "Thanks for the memories!" ■

Editor's Notebook

by Chuck W. Stoll Jr., CPCU, AIC, RPA, AINS



Charles W. Stoll Jr., CPCU, AIC, RPA, AINS, is a protégé of the ELA Division of Cunningham Lindsey in Lombard, Ill., and is the editor of the *Claims Quorum*. He has had a career in claim and risk management positions. Stoll received his CPCU designation in 1991 and is the immediate past president of the CPCU Society Chicago-Northwest Suburban Chapter.

This quarter, we have some articles that I hope you will find interesting and informative. We start off with an article by **Jesse A. Baird, CPCU, MBA, AIC, CLU, ChFC,** on herbal remedies and the implications of medical marijuana laws for auto insurance adjusters. Some states are looking at enacting laws to allow people to use marijuana for medicinal purposes, and the financial implications can be beneficial to those states.

Brian Kelly, CPCU, ARe, AIC, discusses reinsurance and what adjusters should know about it. He explains why reinsurance is necessary in today's insurance world. In another article, **Katie Counselman, CPCU, ARM, AAI,** writes about how effective employee injury claims management practices can help reduce claims costs. Katie's article explains how prompt and thorough investigations can lead to quicker resolution of claims.

We also feature the JCRS Inland Marine Solutions' article on turning jewelry into cash. This piece addresses the possible fraud implications that we need to watch out for when adjusting these types of claims and suggests some anti-fraud tools.

Kevin M. Quinley, CPCU, AIC, ARM, ARe, a regular contributor to the CQ, gives us a review of the new book by 2004–2005 CPCU Society President **Donald J. Hurzeler, CPCU, CLU,** *The Way Up: How to Keep Your Career Moving in the Right Direction*. Kevin recommends it as a book that is well worth reading.

Donna J. Popow, Esq., CPCU, AIC, a member of the Claims Interest Group Committee and another of our regular contributors, explains why adjusters need to be competent and proficient in their jobs, and goes on to explain how adjusters can obtain the tools to handle their work. Donna also provides us with an update from The Institutes, including changes in courses being offered there. Many courses are available online, and various study aids are also available.

Finally, we are always on the lookout for new articles or authors who want to publish. If you or someone you know has an article for publication, please feel free to forward the information to me at cstoll@cl-na.com or **Donald O. Johnson, CPCU, J.D., LL.M.,** at donjohnson@dojlaw.com. Also, remember that there are many other areas within the CPCU Society that encourage individuals to publish articles about their expertise. I look forward to working with all of you to keep this publication moving ahead and providing meaningful information to claims professionals everywhere. ■

CPCU Society Annual Meeting and Seminars

Oct. 22–25, 2011 • Las Vegas, Nev.

The CPCU Society Claims Interest Group Presents

Winning Strategies for Resolving Conflicts and Claims

Sunday, Oct. 23 • 10–11:40 a.m.

This seminar focuses on two elements — emerging trends in alternatives to a standard jury trial once litigation is commenced and alternative approaches to conflict in order to avoid gambling on a jury verdict. Most insurance professionals are aware of negotiation as a technique for conflict resolution. In an interactive setting, attendees will learn about four other methods — conciliation, mediation, arbitration and summary/private jury trials — that are more controllable, less expensive and less time consuming for all parties involved. *Filed for CE credits.*

Moderator: Charles W. Stoll Jr., CPCU, AIC, RPA, GAB Robins North America Inc., a Division of Cunningham Lindsey

Presenters: Joseph J. Bongiovi, J.D., Bongiovi Dispute Resolutions; **Lisa A. Duran, J.D.,** Lisa A. Duran & Associates; **Matthew J. Smith, J.D.,** Smith, Rolfes & Skavdahl Company LPA

Claims Interest Group Luncheon

Sunday, Oct. 23 • 11:30 a.m.–12:45 p.m.

Network with members of the Claims Interest Group while enjoying lunch. **Jim Hunt,** a partner with International Insurance Services in Las Vegas, Nev., and **La Cretia Evans,** risk and safety manager at Riviera Casinos, will talk about "Gambling on Insurance Claims." Their presentation will include the ins and outs of fraud techniques used in an attempt to grab house money, and investigating gaming/resort claims with self-insured hotels and casinos. Tickets are required and can be purchased for $68 each. To register, select this option on the Annual Meeting registration form.

When Right and Wrong Aren't Enough — Advanced Ethical Decision Making

Monday, Oct. 24 • 8–10 a.m.

The headlines are filled with stories of what can happen when ethical lapses occur. When your ethics are tested, what will you do? Will you pass the test? Will you get it right? Ethics and professionalism are key elements of preserving public trust and credibility. Ethical behavior is essential in keeping promises specified in insurance policies and in maintaining the credibility of insurers. Ethical dilemmas involve choices in courses of action, which can be difficult; therefore, insurance professionals use frameworks for resolving ethical dilemmas. Ethical and professional standards, such as a code of ethics and quality practices, can help insurance professionals conduct themselves competently and ethically to ensure that consumers receive the benefits of insurance that they expect. This session will help you identify methods for resolving ethical dilemmas and give you time to practice these methods in resolving the ethical dilemmas insurance professionals face. *Filed for CE credits.*

Presenters: Elise M. Farnham, CPCU, ARM, AIM, Illumine Consulting; **Donna J. Popow, Esq., CPCU, AIC,** The Institutes

Emerging Issues — Information and Insight You Can Bet On!

Monday, Oct. 24 • 8:30–10 a.m.

This seminar will focus on best practice tips in dealing with emerging issues during the coverage evaluation process and will address the most significant insurance developments and/or trends emerging in the fall of 2011. It is designed for all insurance professionals who are involved in the coverage evaluation and/or claims evaluation process and may otherwise be involved in a Declaratory Judgment Action. Discussions will also cover the potential impact of these issues on the insurance industry, relevant case law and how to apply "winning strategies" to achieve results.

Developed by the Claims and Leadership & Managerial Excellence Interest Groups

Presenter: Richard J. Cohen, J.D., Goldberg Segalla LLP

Commercial Liability Coverage Conundrums — An Interactive Case Study Approach

Monday, Oct. 24 • 1:30–4:15 p.m.

Insurance policies are complex documents, and this complexity can lead to disputes between the insured and the insurer as to the scope of coverage. To explore such situations, attendee participants will be given coverage problems together with the forms that are involved. They will break into small groups, read the forms, discuss approaches to the problem and report back to the entire group. After each problem has been discussed, a panel of experienced insurance attorneys — some who specialize in insurance company defense and others who generally represent plaintiffs — will present their approaches to the problem. *Filed for CE credits.*

Developed by the Claims, Risk Management and Underwriting Interest Groups

Moderator: Jerome "Jerry" Trupin, CPCU, CLU, ChFC, Trupin Insurance Services

Presenters: Janet L. Brown, CPCU, J.D., Boehm, Brown, Fischer, Harwood, Kelly & Scheihing PA; **Joshua Gold, J.D.,** Anderson Kill & Olick PC; **Dan D. Kohane, J.D.,** Hurwitz & Fine PC; **Randy J. Maniloff, J.D.,** White and Williams LLP; **Ernest Martin Jr., J.D.,** Haynes and Boone LLP

Herbal Remedies — Handling Auto Policy Medical Payments Coverage Claims for Medical Marijuana

by Jesse A. Baird, CPCU, MBA, AIC, CLU, ChFC

Jesse A. Baird, CPCU, MBA, AIC, CLU, ChFC, is a manager for an insurance carrier in Illinois. He is member of the CPCU Society Bloomington Chapter. He can be reached at (309) 660-1437.

Issues surrounding medical marijuana have been confusing claim representatives for many years. Following the 1996 legalization of medical marijuana by California voters, controversy has raged over its legal status.[1] Since that time, other states have passed similar laws, and legal clarity has taken a hit as the haze of uncertainty has grown. In the meantime, claims adjusters must find their way through this judicial thicket. If a medical payments or a personal injury protection (PIP) coverage claim is received for medical marijuana to treat an injury from a car accident, how should one respond? This article will give you the 411 about the 420.[2]

The confusing issue with medical marijuana is that while 15 states and the District of Columbia have legalized it in some circumstances, it remains illegal to possess, consume or cultivate under federal law. The confusion began in 1996, when California voters approved Proposition 215, entitled the "Compassionate Use Act of 1996." The purpose behind this and all subsequent medical marijuana statutes was to eliminate state-level criminal penalties for patients or primary caregivers who possess or cultivate marijuana for specific medical conditions with a physician's approval. The idea is that physicians can give a permission slip (not a prescription) to a patient, who can then legally obtain marijuana for treatment of his or her illness.

Is It Legal?

The problem with these laws is that possession of marijuana is still a federal crime. The Controlled Substances Act, enacted by Congress, lists marijuana as a Schedule One drug, the strictest drug classification in the United States. Under this classification, marijuana, like heroin or LSD, has no medicinal value whatsoever and cannot be possessed or cultivated by the public.

In May 2001, the U.S. Supreme Court clarified the issue. In *United States v. Oakland Cannabis Buyers' Cooperative*, the court held in a majority decision that federal law does not permit the distribution of marijuana for any reason. The Oakland, Calif., cooperative had argued that a "medical necessity defense" prevented the state of California from forcing it to shut its doors. A necessity defense is sometimes available in situations where physical forces beyond the control of the defendant render illegal conduct the lesser of two evils. In this case, for example, it could be argued that a cancer patient faced with the choice between treating his medical condition with marijuana and breaking the law, or suffering from his symptoms and not breaking the law would be entitled to a defense based on medical necessity in the event that he chose the former course of action.

The court noted that the federal Controlled Substances Act states that "it is unlawful for any person knowingly or intentionally ... to manufacture, distribute, or dispense, or possess with intent to manufacture, distribute or dispense, a controlled substance." It noted further that only one exception to this prohibition was given for Schedule One drugs such as marijuana, and that is for government research. Given this, a defense based on medical necessity was not available to anyone who possesses or cultivates marijuana for the purpose of distribution. Since federal law supersedes state law on the subject, the court held that California law enforcement officials did not act improperly in shutting down the Oakland Cannabis Buyers' Cooperative.[3]

Though the Supreme Court's decision was clear and unambiguous, it did not slow down the states' push to legalize medical marijuana. Eight states have legalized it since the decision, and it is likely that more will do so in the future. This situation — legal in some states but outlawed by the federal government — has resulted in numerous false starts by marijuana purveyors and law enforcement as businesses selling marijuana are started, shut down and started again, and litigation has failed to put the issue to rest. Over this period, adjusters attempting to pay claims have faced a difficult situation, sometimes paying property coverage claims for medical marijuana that has been stolen, destroyed or even seized by law enforcement.[4]

Recognizing the challenge presented by this policy disconnect, in 2009, the U.S. Department of Justice sent a memorandum to state attorneys general outlining federal policy towards these state laws. The memorandum stated that marijuana in any form is a Schedule One drug, that it is not legal under any circumstances and that eradication is a key federal goal. However, the memo noted that it would not be a good use of federal law enforcement time and effort to prosecute those "whose actions are in clear and unambiguous compliance with state laws providing for the medical use of marijuana."[5]

So is medical marijuana legal in states where it has been legalized? The answer is no — but under current federal policy, users compliant with state law probably won't be prosecuted.

Is It Covered?

So do insurers owe claims for medical marijuana under the medical payments or PIP coverage section of an auto policy? The answer is probably not — but it's possible. Most health insurers will not pay for medical marijuana because it has not been approved by the Food and Drug Administration (FDA), which

does not recognize it as having any medicinal value.[6]

However, the medical payments and PIP coverages in auto policies cover treatment very broadly as long as the treated condition is loss-related and the treatment is commonly recognized by the medical profession throughout the United States. With medical marijuana legalized in 15 states and an estimated 2,000 medical marijuana dispensaries in California alone,[7] it's not hard to make the argument that the drug is "commonly recognized." Further, since auto policies are adhesion contracts, any ambiguity in coverage is resolved in favor of the policyholder.

Adjusters handling medical marijuana claims need to check the policy coverages and exclusions very carefully. Once it is determined that coverage applies to a loss and an injury is loss-related, any ambiguity may relate to whether state or federal law is applicable and whether a treatment has medical value. These are hardly ironclad coverage defenses. As a result, it is increasingly possible that the facts of some medical payments coverage claims may result in payment for medical marijuana.

Luckily, there are some criteria to help guide adjusters.[8] First, if an adjuster gets a claim, he or she should determine the legal status of medical marijuana in the jurisdiction where it is prescribed. If a medical marijuana law exists in the state in question, an adjuster must determine if the law applies to the claim in question. Laws in all 15 states and the District of Columbia have certain criteria that must apply for criminal penalties to be eliminated. Criteria important to claims-handlers include:

- It must be possessed in no more than a specific quantity, stated in either ounces or plants. This limits the amount of any claim to between one and 24 ounces, depending on the state; more than specified is illegal, and so not covered. The exception is in California, where in 2010 the California Supreme Court in *People v. Kelly* struck down the California Medical Marijuana Program Act's possession limits. The court held that the true limit is "an amount of marijuana reasonably related to meet [a person's] current medical needs."[9]
- It must be recommended by a physician with usually written, and sometimes signed, documentation. Medical marijuana does not require a prescription, since it is not recognized by the FDA as a medically effective treatment. However, the proper documentation is necessary for the state law to apply and a claim to be valid.
- Medical marijuana laws in 12 jurisdictions require the user to be a resident for possession and use to be legal.[10] Unless the claimant lives in a state where it is allowed, there is no claim.

The second issue for an adjuster to determine is whether medical marijuana is covered under the auto policy under which the claim is made. As mentioned above, coverages and exclusions must be reviewed carefully for any sign of ambiguity. Until and unless carriers begin specifically excluding medical marijuana or other non-FDA-approved remedies, some policies may be ambiguous enough to provide coverage if the facts of the situation qualify under the state statute.

Third, it must be determined whether medical marijuana is reasonable and necessary treatment for injuries sustained in the accident. Luckily the state statutes are helpful here, listing the afflictions for which medical marijuana is allowed to be prescribed. Colorado has a typical description of approved conditions, which include:

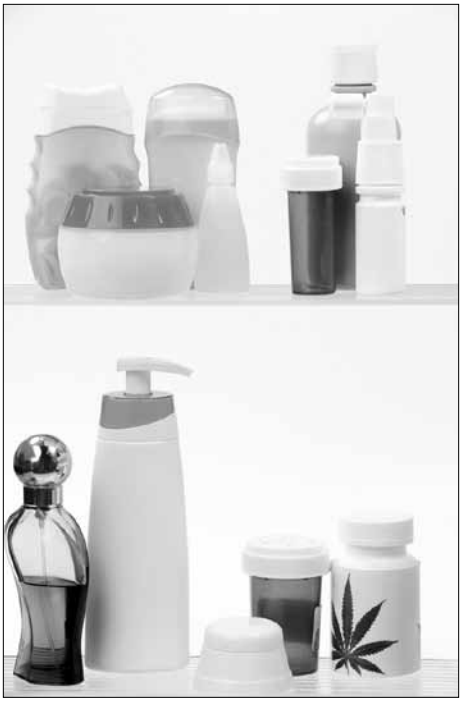
> "(I) Cancer, glaucoma, positive status for human immunodeficiency virus, or acquired immune deficiency syndrome … (II) A chronic or debilitating disease or medical condition, or treatment for such conditions, which produces, for a specific patient, one or more of the following ... cachexia; severe pain; severe nausea; seizures, including those that are characteristic of epilepsy; or persistent muscle spasms, including those that are characteristic of multiple sclerosis."[11]

With the exception of severe pain and muscle spasms, none of these conditions results from car accidents. Further, the language in the statute indicates that the symptoms intended by the law for marijuana to alleviate are pain, nausea

Continued on page 6

Herbal Remedies — Handling Auto Policy Medical Payments Coverage Claims for Medical Marijuana

Continued from page 5



and muscle spasms related to severe conditions such as cancer, AIDS and chronic neurological conditions. Claims handlers should check the claimant's diagnosis against the list of conditions for which marijuana can be prescribed. Without such a diagnosis, the doctor's recommendation is not legal even at the state level.

Is It Primary?

A final question for an adjuster to consider is whether the auto policy that covered the accident in question is truly primary coverage. Yes, medical payments and PIP coverage in auto policies is almost always primary. However, if coverage for medical marijuana exists explicitly under another policy, that policy may be primary where coverage under the auto policy is highly ambiguous. As of last year, at least one commercially available policy covers medical marijuana. In June 2010, Statewide Insurance Services in Rancho Cordova, Calif., began offering coverage for all aspects of the medical marijuana industry.[12] Coverage is offered in all states, even though only 15 states have removed state statutes against medical marijuana.

While the policies include business coverages intended for dispensaries, it is only a matter of time before policies are available that cover personal supplies. When that happens, it is possible that such a policy would be primary coverage over an auto policy.

To summarize this complex picture, it is entirely possible that — in some jurisdictions and for some auto policies — medical marijuana could be covered under medical payments or PIP coverage. That adjusters are unlikely to be faced with such challenging claims now shouldn't be comforting. The only certainty on this subject is that there will soon be more change.[13] ■

References

(1) Jesse A. Baird, "Drug Coverage: The Controversy over Property Insurance Coverage for Medical Marijuana." CPCU Claims Section Quarterly, Vol. 20 No. 1, February 2002.

(2) For readers born before 1980, "420" is slang for the consumption of marijuana. For those born after 1980, "411" is the telephone number for land-line directory assistance in the U.S. and Canada, and is slang for "information."

(3) *United States* v. *Oakland Cannabis Buyers' Cooperative,* 532 U.S. 432 (2001).

(4) Jesse A. Baird, "Drug Coverage: The Controversy over Property Insurance Coverage for Medical Marijuana."

(5) David W. Ogden, U.S. Department of Justice Office of the Attorney General, "Memorandum for Selected United States Attorneys, re: Investigations and Prosecutions in States Authorizing the Medical Use of Marijuana," Oct. 19, 2009.

(6) Montopoli, Brian, "Will Health Coverage Pay for Medical Marijuana?" CBS News. Oct. 20, 2009.

(7) Mark Glover, "Rancho Cordova Insurer Launches Medical Marijuana Coverage," *Sacramento Bee*, March 2, 2010.

(8) Requirements are listed by state at MedicalMarijuana.ProCon.org. Criteria listed in this article were taken from "15 Legal Medical Marijuana States and D.C.: Laws, Fees and Possession Limits," MedicalMarijuana.procon.org.

(9) *People v. Kelley*, 47 Cal. 4th 1012, 1023-24, 103 Cal. Rptr. 3d 733, 222 P.3d 186 (Cal. 2010).

(10) MedicalMarijuana.procon.org.

(11) Colorado Ballot Initiative 20, 0-4-287 – ARTICLE XVIII – Miscellaneous Art. XVIII – Miscellaneous.

(12) Mark Glover, "Rancho Cordova Insurer Launches Medical Marijuana Coverage," *Sacramento Bee*, March 2, 2010.

(13) Thanks to Dan Horn and Adam Bennington for assistance researching this article.

What Should an Adjuster Know About Reinsurance?

by Brian Kelly, CPCU, ARe, AIC

Brian Kelly, CPCU, ARe, AIC, is a claims expert in the Armonk, N.Y., office of Swiss Re. He started in claims as an adjuster in 1985 with Liberty Mutual. During the next 19 years, he progressed to a branch team manager and then to home office examining. While in the home office, he rotated through property, liability and reinsurance examining. In March 2005, Kelly joined Swiss Re, specializing in liability and workers' compensation claims. He is a member of the Casualty Claims Unit with accounts specializing in public entity, umbrella and workers' compensation risks.

Author's note: Reinsurance exists to provide financial support to your company, be it property damage caused by a hurricane, or liability exposure from a trucking accident. Your reinsurer provides a variety of unique, value-added services and expertise to support your business. This paper presents the author's general observations with respect to information made available from sources outside the control of the author or Swiss Re America. It is not intended to replace the recipient's own analysis, procedures and controls. Accordingly, neither Swiss Re America nor the author make any warranties or representations concerning the completeness or accuracy of this paper, and Swiss Re America and the author disclaim all responsibility for liability, cost or expense arising out of reliance on its contents.

Adjusters are knowledgeable on a wide range of topics including, but not limited to, coverage, tort law, workers' compensation and property loss. Adjusters also accumulate knowledge in medicine, economic loss and engineering. Why should adjusters add reinsurance to their knowledge base? Reinsurance will play a significant role in your company's net exposure from a loss or event. Do adjusters need to know every nuance of reinsurance? No, but it is a good idea for adjusters to understand the fundamentals and their role in the reinsurance transaction.

The following will provide the basics of reinsurance and insight on what reinsurers may want or need on reported claims. This is a general guide, and not necessarily the view of all reinsurers. Also, this is not a substitute for reading the reinsurance contract between your company and its reinsurer(s). For a deeper understanding of reinsurance, consider reinsurance courses through The Institutes, the Reinsurance Association of America (RAA), and other industry courses and seminars.

Reinsurance helps spread risk across a global array of reinsurance companies. Insurance carriers can transfer a portion of the risk on property, casualty and life exposures to reinsurers to achieve greater financial stability and regulate volatile loss experience. Rating agencies and governmental bodies look at an insurer's reinsurance portfolio to ensure it is financially protected. A carrier may elect to protect an entire line of business or a specific risk by purchasing reinsurance. Your company may determine that it shouldn't retain more than a certain dollar amount per loss, net on any single risk. It pays a premium to the reinsurer, just like a homeowner pays a premium to an insurer. Reinsurance is distributed through brokers and direct reinsurance writers. It is purchased on all lines of business, including property, casualty, directors and officers, marine, surety and life. Reinsurance companies employ underwriters, actuaries and claims personnel just like an insurance company.

Sometimes adjusters mistakenly believe that reinsurance is a type of excess coverage. Excess policies cover policyholders. Reinsurance is a contract between the insurance company and a reinsurance company. There isn't a contractual relationship between the policyholder and the reinsurer. Some view the relationship between a reinsurer and an insurance carrier as a partnership, sharing the exposure under the terms of the reinsurance contract. Your company cedes a portion of its risks to the reinsurer(s) and as such is referred to as the "cedent" by the reinsurer. Reinsurers and reinsurance brokers work with your underwriters and actuaries on a reinsurance portfolio or program that meets certain needs of your company.

A needs analysis translates to contracts known as treaties or facultative certificates. A treaty covers a specific line of business or an entire book of business. Specific insureds or risks are covered under facultative contracts. Both types of contracts are subject to retention, limit and other conditions. Some contracts are excess of loss with a dollar retention and limit. Other contracts are proportional, meaning your company cedes a percentage of every loss from the first dollar paid, but it also shares the premium with the reinsurer by the same percentage.

Ultimately, your company is responsible for selling the insurance and handling the claims. When the loss paid involves reinsurance participation, your company will bill or cede to the reinsurer its share of the exposure.

Whether the contract is facultative or treaty, your company retains some of the risk, known as the retention. Retentions are a stated dollar amount, or a percentage of the loss. The reinsurance retention isn't

Continued on page 8

What Should an Adjuster Know About Reinsurance?

Continued from page 7

a deductible or a self-insured retention. The retention is based on how much loss your company decides it wants to absorb, or chooses to take net of reinsurance. The retention is also the trigger for reporting a claim to the reinsurer. Remember, each contract has unique terms, conditions and exclusions. There are situations where the reinsurance contract may not cover everything the policy does. Reinsurance contracts may include coverage for extra contractual exposures due to bad faith claim handling or liability for losses in excess of limits. Look for an ECO/XPL clause in the reinsurance contract.

The reinsurance company claims staff understands that adjusters are the front line on handling claims. Consequently, it is important to identify applicable reinsurance and decide if the reinsurer should be notified as per specific contract wording. Maintaining a list of reinsurance contracts with reporting requirements and direct reinsurer or reinsurance broker contacts will help expedite the reporting process.

Communication is paramount to success. When in doubt, a precautionary report to your reinsurer is recommended. Prompt notification of a loss to the reinsurer is just as important as a loss notice from your own policyholder. Some contracts call for reporting when the incurred (reserve + paid amounts) meet or exceed 50 percent of the retention. Other reporting criteria could involve a non-dollar reporting trigger, such as specified catastrophic injuries. Catastrophic exposures on casualty contracts may include injuries such as spinal cord, brain injury, burns, blindness, permanent disability and death. Other contracts may ask for a report when it appears that reinsurance will potentially be involved. Again, please review the reporting criteria in your contract with your underwriting department and discuss reporting with the claims contact at your reinsurer or broker.

Reporting claims to reinsurers regardless of the liability analysis is recommended and may be stated in the contract. Reinsurers encourage precautionary notifications on catastrophic exposures, even when liability is doubtful or when coverage between the insurer and the policyholder is disputed. If there is the possibility that reinsurance could be involved without factoring liability or coverage, report the claim so there are no surprises for the reinsurer.

Reinsurers are staffed by claim professionals who may need additional information to analyze the exposure. They will look to the adjuster, the person on the frontline, for pertinent claim information. Status reports on a routine cycle or when there are significant developments is customary. Communication is the key for a seamless reinsurance transaction.

The reinsurance company claims staff understands that adjusters are the front line on handling claims. Consequently, it is important to identify applicable reinsurance and decide if the reinsurer should be notified as per specific contract wording.

Will reinsurance reporting materially add to an already time-consuming caseload? It shouldn't. Generally, reinsurers don't want or need a complete copy of your file. High exposure and complex claims may necessitate an inquiry or a document request in order to evaluate its own exposure. Formal letters are not necessary. Your large loss reports and substantive defense counsel updates are helpful. Emailing imaged material is generally acceptable, and please, include paid and reserve figures. Ultimately, the reinsurer will rely on the ceding company to resolve the claim, while timely reporting significant developments.

Reinsurers also conduct claim audits, which are contractually permitted. Audits are typically conducted in a congenial atmosphere to foster good working relationships. It is an opportunity for the reinsurer to look at the entire file and independently evaluate the exposure. The audit is also an opportunity to get an overview of your claim operation and the experience level of the claims department. Insights from the audit are then shared with the reinsurer's underwriter.

The adjuster's role in the reinsurance process doesn't end when a claim is paid and closed. Your company may ask you to bill the reinsurer or alert your reinsurance or accounting departments to send the reinsurer or broker a bill, also known as a recovery request. Another key to a seamless reinsurance transaction is fulfilling the documentation needs of the reinsurer in support of the payment request. Reinsurance contracts also include a provision for loss adjustment expenses. The reinsurer may agree to cover expenses proportionally or as part of the ultimate net loss. Contract wording will guide you on how expenses are treated. ■

Effective Employee Injury Claims Management Practices

by Katie Counselman, CPCU, ARM, AAI

Katie Counselman, CPCU, ARM, AAI, is a vice president and risk control administrator for Riggs, Counselman, Michaels & Downes Inc. (RCM&D) and Self-Insured Services Company Inc. (SISCO). Her responsibilities with the firm include such areas as risk management, training and education, and marketing. She joined RCM&D in 1999 in the role of account executive after receiving her bachelor's degree from Franklin & Marshall College. She has been actively involved in the CPCU Society Maryland Chapter since 2004 and is slated to be chapter president for the 2012–2013 year.

Pre-Injury Policies and Procedures

The time to develop your claims management policies and procedures is before an injury occurs. Policies should take the following into consideration: use of a panel of physicians, where applicable; post-injury actions; claims reporting; accident investigation; post-injury follow-up; and modified duty return to work.

Panel of Physicians

If your state allows you to use a panel of physicians for workers compensation claims, choosing the appropriate physicians for this panel is extremely important. Choosing a physician who does not value this employer-provider relationship can lead to extended loss time, strained relations with the injured employee and even costly litigation.

The best way to decide who should be represented on your panel is to meet with the prospective physicians and conduct an in-depth interview with them.

- Explain your policies and procedures on claims management and return-to-work and see if the prospective providers share your philosophy and will accommodate your procedures.
- Let them know you value a long-term relationship with providers who share your interest in doing what is best for the injured employees under their care.
- Verify that they will accommodate your employees for prompt medical treatment and keep you informed on changes in treatment and work restrictions.
- Allow them to tour your facility and see the type of work you do and the working conditions of the employees.
- If you have predetermined job descriptions for modified duty, share these with the prospective providers and ask for their comments.

After such an in-depth interview process, you will have a better understanding of the physicians with whom you desire to work in the care of your injured employees.

Once the panel of physicians has been selected, post the listing of the panel providers, including the names of approved physicians, addresses and phone numbers, in a prominent location in your facility. So that it can be seen easily by employees, place it somewhere visible, such as near the time clock or employee break room. Include the panel in the new employee orientation information for review and signature.

Finally, develop a panel of physicians incident report form to be signed and dated by injured employees at the time the injury is first reported and before seeking medical treatment. This verifies that the employees are aware of the panel and agree to select and use a panel provider for medical treatment of work-related injuries. (In states for which the employer is not permitted to direct the care of injured workers, keep in mind that you can still offer recommendations, but the employee is permitted to choose his or her provider.)

Post-Injury Actions

As soon as the injury is reported, an initial assessment should be made to determine if this is an injury requiring emergency treatment, treatment by a physician on the panel, or first-aid treatment on site. A designated employee with at least basic medical knowledge regarding injury diagnosis and treatment, such as a company nurse or someone trained and currently certified in first aid, should make this assessment.

Regardless of the degree of treatment provided, a First Report of Injury form should be completed and sent to the insurer or third-party administrator (TPA). Someone should also explain the workers' compensation system to the employee, including the rights of employees and employers, and the benefits under the system.

If emergency medical treatment is required, get medical treatment immediately. Calling an ambulance may be the best option. Rescue squad members are professionally trained to handle transportation of the injured person in a safe manner.

For nonemergency injuries, it is recommended that a supervisor drive the injured employee to the physician for treatment. The supervisor can explain the circumstances of the injury to the medical provider and provide the insurance information for billing purposes. Additionally, the supervisor can often explain the working conditions and type of work available for a modified-duty or full-duty release by the physician. The injured employee should not be responsible for discussing predetermined modified-duty job descriptions with the physician, as the employee may be biased regarding the interpretation and delivery of the information.

Prompt Claims Reporting and Accident Investigation

To maximize the effectiveness of your claims management process, report the

Continued on page 10

Effective Employee Injury Claims Management Practices

Continued from page 9

claim to your insurance carrier or TPA as soon as possible. Same-day reporting should be standard procedure, not the exception. The claims adjuster can set up the claim immediately and begin taking statements and conducting the investigation. Take a written statement from the injured employee and any witnesses to the incident immediately and share them with the claims adjuster. Be aware that the claims adjuster may also want to arrange an interview and record a verbal statement from the injured employee as soon as possible.

Conduct your own internal accident investigation using an impartial process designed to uncover facts, not assign blame. The goal should be to determine accident causes and corrective actions that can prevent reoccurrences. Interview witnesses, as well as the injured employee, regarding the incident and events leading up to the incident. Photographs may be beneficial in this process. (It is helpful to keep a digital or disposable 35mm camera available for this purpose.) After completing the accident investigation, results should also be shared with the adjuster.

The corrective actions recommended to prevent reoccurrences should be reviewed for approval and implementation by the safety committee, department manager, senior management or owner. Immediate corrective action serves the purpose of eliminating or reducing hazards and preventing future employee injuries.

Post-Injury Follow-Up and Return-to-Work

- Develop a form for documenting the physician's prognosis and prescribed work restrictions and provide to the physician.
- If the work descriptions fit a predetermined modified job description, the physician should be asked to approve and sign off on the modified-duty position at the time of the visit.

- It may be necessary to customize a job description. Always request that the provider sign off on the final job description, including the hours of work per day.
- After receiving the physician's approval, review the plan with the injured employee and have the employee sign and date the job description, indicating an understanding and acceptance of the modified-duty position.
- Refusal may be grounds for the loss of benefits under workers' compensation. Document the offer and refusal.
- The modified job description should be provided to the claims adjuster as soon as possible, including the date that the position starts and ends. The ending date should match the date of the next follow-up appointment with the provider.
- If work restriction changes are made, the modified-duty position can always be renewed.

If the treating physician takes the injured employee out of work for an extended time, it is important to keep the lines of communication to the injured employee open and the relationship strong.

Employees can often feel isolated when taken from their normal routine and can develop doubts regarding whether they are needed or wanted by their employer. Show them that you value their services and that you care for them. Call employees and tell them they are missed. Let employees know that you care about their well-being and hope to see them back at work soon.

Following these tips will help reduce the frequency and severity of your workers' compensation losses and help to improve employee relations. ■

Turning Jewelry into Cash — Strategy in a Bad Economy

Editor's note: This article appeared in the February 2009 issue of *Jewelry Insurance Issues* and is reprinted with permission of JCRS Inland Marine Solutions Inc. (www.jcrs.com).

The economy is shaky these days. Retail business is down, consumers are worried about their jobs and have less to spend. Everyone's looking for ways to cut costs and stay solvent.

How does this affect insurers? The short answer is: more fraud. When times are tough, more people tend to bend the rules.

A study by Accenture, the world's largest business consulting management company, examined consumers' attitudes toward insurance fraud. It found that 25% of the respondents thought a false insurance claim or overstating a claim was acceptable. That study was in 2003. In today's economy, we could expect worse results.

People condone fraud either because they think insurance companies charge too much or simply because they think they can get away with it. With cars, for example, a person can drive the car to an airport parking lot and report it stolen. Weeks might pass before the car is found. In a state that has a constructive total loss law, burning down the house is an attractive deception. With jewelry, declaring a false loss is pretty easy.

A partner in Accenture's Insurance practice said, "Fraud is a growing concern for insurers, whose aging technology and inefficient processes often prevent them from detecting fraudulent claims."

It's time to get our fraud-detecting tools and processes in order!

Inflated Valuations Are All Too Common

Some jewelry retailers are finding that business is down 30% or more. An unethical jeweler may decide to do customers a favor by giving them insurance valuations well beyond the selling price. This is likely to result in return business from these customers, who feel they're being taken care of.

There are also many jewelry outlets that regularly advertise "50% off!" the regular selling price, and they substantiate the bargain by accompanying each purchase with an inflated appraisal. Oddly enough, many customers readily take the seller's word about the "real" value of the jewelry, despite the low price offered to them. Insurers should be more aware and more skeptical.

An inflated valuation creates a serious moral hazard, a false loss waiting to happen.

> **Your anti-fraud tool:** Compare the appraisal's valuation with the sales receipt. If the valuation is significantly higher than the sale price, that valuation is likely to be inflated. Ask for an appraisal from a Graduate Gemologist (GG), preferably one who is also a Certified Insurance Appraiser™ (CIA).

Who Says It's a Certified Diamond?

Not all labs issuing diamond reports are trustworthy. Some are known to write inflated appraisals, exaggerating both the quality of the jewelry and the valuation.

> **Your anti-fraud tool:** The most reliable labs for certifying diamonds and colored gems are **GIA** (Gemological Institute of America), **AGS Lab** (American Gem Society Lab) and **GCAL** (Gem Certification & Assurance Lab). For high-value gems, insist on a report from one of these labs.

Watch Those Watches

There is a huge trade in fake watches. A high-end watch not sold through an authorized dealer for that brand is considered second-hand at best, and may be just a knock-off. There's also a huge market in counterfeit watch *parts*. All parts must be genuine for that brand, in order for the watch to be considered authentic (and to have the value of an authentic brand-name watch). Appraising fine watches is not within the competence of all jewelers. One must be trained to judge the authenticity of the watch and all its parts, recognizing non-authorized "after market" add-ons as well as out-and-out fakes.

> **Your anti-fraud tool:** Be sure the appraisal is done by a dealer trained to authenticate *that brand*, or by a Certified Insurance Appraiser™, who has the resources for obtaining proper authentication.

Red Flag: purchases from internet sites, on home shopping channels, or during travel abroad.

Such purchases are often impulse buys. The buyer has not comparison-shopped, and most likely has not had the jewelry independently appraised to verify its quality and value.

This merchandise is often low quality but advertised—and "certified"—as high quality. It may come with an appraisal or report carrying a high valuation. If you insure it at the falsely high valuation, and the consumer later finds out it is worth far less, he may be tempted to "lose" the jewelry.

> **Your anti-fraud tool:** Ask for an appraisal from a disinterested jeweler/appraiser (i.e., not the seller).

Continued on page 12

Turning Jewelry into Cash — Strategy in a Bad Economy

Continued from page 11

Who Is This Appraiser?

Literally *anyone* can call himself a jeweler and write an appraisal. No training or credential is required. Jewelers can even run businesses for years and still be unable to tell real diamonds from fake, as shown in this Dateline exposé[1]. So why should you automatically trust whatever appraisal and valuation are in front of you?

> **Your anti-fraud tool:** Ask for a detailed appraisal written by a Graduate Gemologist (GG), preferably one who is also a Certified Insurance Appraiser™ (CIA).

Red Flag: investment gems sold by mail.

Sometimes the insurer is an unintended victim of a scam—the buyer is the intended victim. In one mail-order fraud, rubies were sold as investments, guaranteed to appreciate in value. The gems were securely wrapped in a transparent material to "protect the investment." Keeping them wrapped also meant the gems couldn't be inspected by an independent appraiser. The insurer (like the buyer) would be taking the word of the scam artist as to the gems' value. Often a tip-off that a mail-order deal is shady is that the merchandise is mailed from outside the U.S. It's a good guess someone wants to avoid being charged with mail fraud.

> **Your anti-fraud tool:** Be especially cautious about jewelry that has been bought sight-unseen or "for investment." Insist that the quality of the gems be verified by a reliable, disinterested appraiser who is a GG and preferably also a CIA™.

Are You Being Set Up for a Loss?

The same scams are used over and over—only the characters and the settings change. One of these recycled scams involved almost worthless stones valued at $160 million, which the customer wanted to insure under a valued contract.

If one of the stones went "missing," the cost to the insurer would be tremendous. And that's the likely intent.

We've been contacted regarding half-a-dozen versions of this scam in the past few months, always involving loose gems, stored in a vault, with values ranging from $12 million to $1.2 billion. The premiums would, of course, be very high.

An alternative explanation is that this is a money-laundering scheme. The policyholder puts up the premium for a year, then cancels after the first month and gets back 90% of his payment in clean money. Whether the goal is a "missing" stone settlement or a refund from a cancelled contract, you want to avoid this fraud.

> **Your anti-fraud tool:** For any high-value Agreed Amount contract, insist on a detailed appraisal on the insurance industry's standard JISO 78/79 form, written by a Graduate Gemologist (GG) who is also a Certified Insurance Appraiser™ (CIA).

How Good Is the Appraisal?

You're probably not a gemologist so you can't tell. Lots of appraisals that look impressive are not at all complete.

> **Your anti-fraud tool:** JISO 18 Jewelry Appraisal and Claim Evaluation. This form lets you "unpack" an appraisal into a standardized format, so you can see if all the necessary details are given. There's no assurance that the details are correct, but the layout allows you to see whether information has been left out—perhaps because the jeweler doesn't know, or because he is deliberately concealing low quality. If too much info is missing, ask the client to get an appraisal on JISO 806.

Your Ultimate Best-Case Scenario Anti-Fraud Tool: JISO 78/79 Jewelry Insurance Appraisal. You can protect yourself from most scams by getting a JISO appraisal, prepared by a GG who is also CIA. ■

Endnote

(1) Dateline video is available at http://www.msnbc.msn.com/id/8661995/.

Book Review — Retired Insurance Exec Offers Treasure Trove of Career Success Tips

by Kevin M. Quinley, CPCU, AIC, ARM, ARe

Kevin M. Quinley, CPCU, AIC, ARM, ARe, is vice president, risk services, at Berkley Life Sciences LLC. He is a leading authority on insurance issues and the author of 10 books and more than 600 articles on risk management and insurance. The views expressed here are his own. They do not constitute legal advice and do not necessarily reflect those of Berkley Life Sciences or the W.R. Berkley Company.

***The Way Up: How to Keep Your Career Moving in the Right Direction* by Donald J. Hurzeler. 2011. Greenleaf Book Group, 206 pp., $19.95**

Yet another book on how to achieve career success? Are you kidding me?

Today's shaky economy prompts many claim professionals to seek a formula to guarantee career success and job longevity. Competition for jobs is tough. Competition for advancement slots is cutthroat. Consolidation and belt-tightening are the orders of the day. We seem busier than ever, but there often creeps in the nagging doubt as to what demonstrable value we are adding. What does upper management think about my performance? Will my unit be downsized? Will my job be outsourced to a vendor in Bangalore? What's the career aim of every claim professional? In the words of wacked-out celebrity **Charlie Sheen,** "Winning — duh!!"

In *The Way Up*, retired insurance executive **Donald J. Hurzeler, CPCU, CLU,** argues that making some simple choices — and executing on them — will keep you winning and vault you ahead of the competition. A 40-year veteran of corporate struggles, changes and upheavals, Hurzeler distills lessons and take-aways that can help turbo-boost the career of any claim professional. While Hurzeler's frame of reference is the insurance industry, his advice rings true regardless of the economic sector in which you work. In other words, insurance folks will relate to his stories, but his audience is a broader business market. He does not come across as preachy, and he peppers his career "nuggets" with wit and humor.

Hurzeler wore many hats in the workaday world. He describes himself as a guy who was born with energy that pulsated as though he was plugged into an electrical socket. (That might explain **Don King's** hair style.) Such verve and energy comes through with impressive wattage in his book. The guy juggled a lot. At one time, he led a major insurance company, served as CPCU Society president (a full-time job in itself) and battled cancer. Talk about having a full plate!

It would be tough to make a case that Hurzeler is breaking new ground here or imparting novel revelations that will leave career coaches slack-jawed. Sadly, though, much of what constitutes common sense, is not so common. The problem lies not in knowing what to do, but in having the fortitude and stick-to-itiveness to follow through on what we know is sound.

Hurzeler divides his book into four major sections. Part one focuses on how to prove you add value. Part two discusses specific ways to expand opportunities for future success. Part three talks about failure and how to "fail well." Part four, which Hurzeler says in some ways is the most important section, talks about how to deliver impressive results.

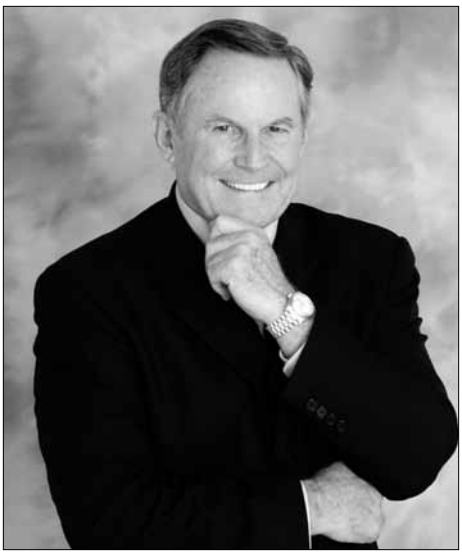
Saddled with a bad boss? Hurzeler offers survival tips on how to get through the experience, noting that we are each destined to have a mix of good, average and bad bosses in a career. Sometimes it just does not add up, though. He cites a former boss who got paid $2 million a year while closing his office door and playing with Star Wars toys.

One career peril that Hurzeler warns against is insularity. He urges readers to "raise the periscope" and look around beyond their own department or work unit. Find out as much as you can about the entire workings of the company, every department and how the company makes money. True networking may involve getting out of your subject matter comfort

Continued on page 14

Book Review — Retired Insurance Exec Offers Treasure Trove of Career Success Tips

Continued from page 14



Donald J. Hurzeler, CPCU, CLU

zone. He decries claim adjusters who only network with other claim adjusters, underwriters who only schmooze with their kind, etc. Seek a broader perspective and a way to cultivate a "big picture" perspective on your company and industry, he urges.

He urges readers to "raise the periscope" and look around beyond their own department or work unit. Find out as much as you can about the entire workings of the company, every department and how the company makes money.

Hurzeler delivers his career success tips in a down-to-earth, practical and humor-laden manner. He is not preachy and is not above opening the kimono to examine some of the biggest career boners he made in the course of his work life. He does not offer any shortcuts, maintaining that delivering excellent operational results is the key to success. There is no MBA-speak or business mumbo-jumbo here. Hurzeler really is imparting "things they don't teach you in Harvard Business School."

For an insurance guy, Hurzeler seems a bit iconoclastic. You won't find many books written by retired insurance execs quoting Tupac Shakur on business advice (I counted two references). It is hard to imagine Hurzeler wearing a do-rag and riffing through an insurance-themed rap song, but I would not put it past him.

To navigate the traps, snares and pitfalls that can trip up today's business professionals, we could all use the equivalent of a career GPS. Wouldn't it be great to just plug in our desired career destination and then have a soothing voice tell us, step by step, how to reach the corner office?

Unfortunately, neither Garmin nor Tom-Tom make such a device … yet. Simply reading the book will not give any adjuster the claims equivalent of "Tiger blood" or "Adonis DNA." It will, however, offer a roadmap to success. Until the career GPS device is available, Don Hurzeler's *The Way Up* will suffice as a manual for career success. The real key is whether claim professionals just read the book and move on or, as Hurzeler urges, read it, heed it and act on it! ■

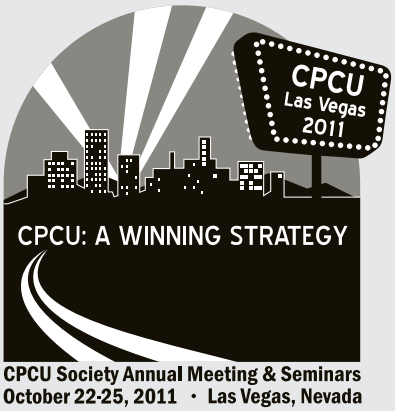
CPCU Society Annual Meeting and Seminars

Oct. 22–25, 2011
Las Vegas, Nev.

Interest Groups Networking Reception
(cash bar)

Sunday, Oct. 23
4:45–6:15 p.m.

Learn more about the CPCU Society's interest groups and enlarge your professional network at the first-ever Interest Groups Networking Reception.



Learn It and Use It, Otherwise You Lose It

by Donna J. Popow, Esq., CPCU, AIC

Donna J. Popow, Esq., CPCU, AIC, is senior director of knowledge resources and ethics counsel for The Institutes in Malvern, Pa. The Institutes are the leader in delivering proven knowledge solutions that drive powerful business results for the risk management and property-casualty insurance industry. Popow is responsible for all aspects of claims education, including the Associate in Claims designation program and the Introduction to Claims program. She can be reached at popow@TheInstitutes.org.

Editor's note: This article appeared in the May 2011 issue of *Claims Magazine* and is reprinted with permission.

To be successful at their jobs, claim representatives must be able to perform the job functions competently. These functions fall into several job-related competencies:

- Claims administration
- Claims investigation
- Claims evaluation
- Claims negotiation
- Claims litigation

Job competency relates to the skills, knowledge, and attitudes required for an employee to be successful in a specific position within a company. Employers evaluate competencies of prospective employees during the interview process to ensure they would be suitable for the roles they are intended to fill. The ongoing evaluation of job competencies is also important and should occur throughout an employee's career. When job competencies are properly aligned, both the employer and the employee benefit. The challenge for claim representatives is to keep up with all of the changes that occur in the insurance profession. They are bombarded daily with new laws, regulations, and guidelines that affect how they do their job.

Competencies for claim representatives can be complicated because the claim representative has to satisfy many different stakeholders, such as his or her employer, state regulators, the insured, and the claimant. A claim adjuster has a good-faith obligation to conduct a fair and adequate investigation to determine whether a loss is legitimate and whether coverage exists for the loss. Claim representatives have an obligation to fairly evaluate and resolve claims after liability and coverage have been determined.

In some cases, a claim representative must become involved in the negotiation and litigation of a claim. If a claim cannot be resolved through negotiation, litigation will ensue and the claim representative will implement litigation management techniques. Litigation management is an ongoing process intended to control legal expenses while maintaining high-quality legal services.

Claim representatives can enhance their skills and knowledge in job-related competencies through education. When pursuing education, claim representatives should consider the competencies their job requires and attempt to align their education accordingly. The Institutes can assist claim representatives and other insurance professionals by providing new application-based learning methods to deliver knowledge solutions specific to job competencies. Application-based learning is achieved by providing content that is immediately usable on the job.

The Institutes' application-based courses are designed to help learners transfer the knowledge, skills, and attitudes they teach to real-life scenarios. In some cases, the application of the knowledge will also require analysis and evaluation. With large amounts of insurance-related information freely available on the Internet, The Institutes differentiate themselves by designing content in a way that helps learners to translate knowledge, skills, and attitudes into on-the-job performance.

There are two types of application-based activities that are an essential part of the learning experience and will help claim representatives enhance their ability to apply new-found knowledge on the job. "Apply Your Knowledge Activities" are short scenario-based activities that enable learners to apply knowledge from a single learning objective.

For example, Joe purchases a personal auto policy in which he is the named insured. On the way to work in Joe's car, his wife Jane is involved in an accident in which she is liable for thousands in damages. Jane does not have a policy of her own. Based on the policy definitions, are Jane's damages eligible for coverage under Joe's policy?

The correct answer is "yes." Joe's wife is covered under the personal auto policy. On the Declarations page, the words "you" and "your" include an unnamed spouse of the named insured—provided that the spouse is a resident of the same household. In fact, even when an unnamed spouse of the named insured moves out of the household but remains married to the insured, the spouse is considered "you" for another ninety days

Continued on page 16

Learn It and Use It, Otherwise You Lose It

Continued from page 15

or until the policy expires—whichever comes first. Coverage ceases if the spouse is named on another policy.

"Knowledge to Action Activities" are extensive case-based activities that enable learners to apply knowledge from multiple learning objectives. As part of the case-based activities, learners will be required to review the relevant sections of the policy and answer associated questions pertaining to the facts of the case.

Previously, The Institutes' case studies illustrated the application of knowledge, skills, and attitudes. Now, however, rather than simply saying what to do, they are encouraging the learners to do it. Instead of providing the answers, they are providing a set of case facts and resources and prompting the learners to find the answers.

The new Associate in Claims (AIC)—Personal Auto Track is the first track The Institutes created following application-based learning methods. This track was designed to help auto liability adjusters learn how to efficiently and effectively navigate through the ever-changing landscape of auto liability claims throughout the entire loss adjustment process. This track will improve employee effectiveness, enhance the ability to handle coverage disputes, help mitigate costly lawsuits, and reduce time and costs associated with personal auto claims.

The AIC—Personal Auto Track provides the learner with the basics of auto liability and physical damage claim handling. It includes a discussion of the coverage provided in auto policies. Additionally, there is content on how to evaluate a bodily injury claim.

Completion of the AIC—Personal Auto Track will benefit the public, the insurer, and the claim representative. This education will help claim representatives provide more effective and efficient claim resolution. Better claim handling improves customer satisfaction, customer retention, and the insurer's bottom line. This track is the first of a long line of claims-specific job competency education to be provided by The Institutes. For more information, visit The Institutes' Web site at www.TheInstitutes.org/AIC. ■

CPCU Society Annual Meeting and Seminars

Oct. 22–25, 2011 • Las Vegas, Nev.

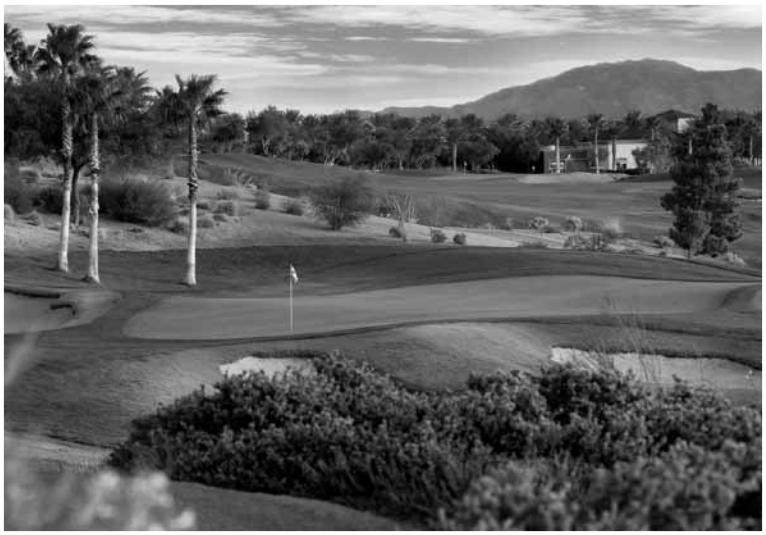
CPCU-Loman Golf Tournament

Oct. 21 • 7:30 a.m.–2 p.m. (check-in begins at 6:30 a.m.)

Support the CPCU-Loman Education Foundation by participating in the Third Annual CPCU-Loman Golf Tournament. All proceeds will support the Foundation's mission to advance education in the fields of insurance, risk management and risk bearing through programs such as the matching scholarship program. The tournament will be held at the Siena Golf Club in Las Vegas.

More information is available on the Foundation's website, cpculoman.cpcusociety.org. Click on "CPCU-Loman Golf Tournament."

The official registration and financial information of the CPCU-Loman Education Foundation may be obtained from the Pennsylvania Department of State by calling toll-free within Pennsylvania, (800) 732-0999. Registration does not imply endorsement.



Updates from The Institutes

by Donna J. Popow, Esq., CPCU, AIC

Editor's note: This article is printed with permission from The Institutes.

The Institutes™

Proven Knowledge. Powerful Results.

The CPCU Class of 2010 was 1,246. The number of new CPCU students increased 30% in 2010 compared to 2009. The final tally for the 2011 class, which will be conferred in Las Vegas, is 1,852.

Industry professionals holding certain educational degrees and professional designations may qualify for exam credit in the CPCU program. Requesting an exam waiver is a popular option for those who hold an MBA or a law degree, have earned a professional designation, or have completed an Institutes designation or certificate program. The Institutes granted 562 waivers in 2010. As of April 7, 2011, The Institutes had granted 162 waivers for this year.

To provide the most relevant and up-to-date content possible, The Institutes have updated the study materials for CPCU 552 — Commercial Liability Risk Management and Insurance. The revised study materials are available, and the first exams have been given over the new material in the July 15 – September 15, 2011, testing window. The Institutes also released the 9th edition of The CPCU Handbook of Insurance Policies, which is used in CPCU 551, 552, 555, and AAI 81 and 82.

In January 2009, The Institutes developed the President's CPCU Scholarship as an opportunity for organizations, colleges and universities to nominate high-potential employees or students. The scholarship covers the cost of the CPCU program, including textbooks, course guides, exam registration fees, and SMART Study Aids.

The Institutes awarded 95 President's CPCU scholarships in 2010. As of March 16, 2011, 14 scholarship recipients had completed the CPCU designation and will be eligible to attend the 2011 conferment ceremony in Las Vegas. The Institutes will accept applications until all 100 scholarships have been granted.

Ethical behavior is crucial to preserving not only the trust on which insurance transactions are based, but also the public's trust in the insurance industry as a whole. The ethics requirement is a valuable component of the CPCU designation; therefore, The Institutes are now requiring the study of ethics for all Institutes designations. Starting in 2011, completing the free online Ethical Guidelines for Insurance Professionals (Ethics 311) will be a requirement of all associate designation programs. We recommend that individuals planning to pursue the CPCU designation take Ethics and the CPCU Code of Professional Conduct (Ethics 312), which will also satisfy the ethics requirement for all other Institutes designations.

The Institutes have developed the new Associate in Claims (AIC)—Personal Auto Track to help insurance professionals learn how to efficiently and effectively navigate through the ever-changing landscape of auto liability claims throughout the entire loss adjustment process. This track will improve employee effectiveness, enhance the ability to handle coverage disputes, help mitigate costly lawsuits, and reduce time and costs associated with personal auto claims.

In response to feedback from our customers, The Institutes are launching improvements to our computer-based examinations. These changes will provide individuals with a more efficient exam-taking experience. Exams administered beginning April 15, 2011, will feature the following enhancements:

- Exams feature a new interactive tutorial. We recommend that examinees review the tutorial thoroughly to fully understand the new features and functions.
- We have changed the placement of the navigation buttons and changed wording on several buttons to improve exam functionality.
- Now individuals can highlight important text on any cases and even highlight text within the questions to help mark those questions for review.
- To make it easier for examinees to review questions they have marked in multiple-choice exams, we have added the ability to "strike" or cross out possible responses for a particular question.
- Exams with reference materials now offer multiple ways of viewing the exam. Using new tab navigation, examinees may view only the exam, only the reference materials, or both exam and reference materials at the same time.

The Institutes offer instructor-led online classes for the CPCU program, the Associate in General Insurance (AINS)

Continued on page 18

Updates from The Institutes

Continued from page 17

program, and the Associate in Claims (AIC) program. Online classes give you the pace and structure of a weekly class, the camaraderie of other students, and the learning assistance of a knowledgeable instructor.

In May, The Institutes conducted a company support for education survey. The goal of this survey is to gather valuable industry information for benchmarking professional development support (including CPCU and CPCU Society membership) across the property-casualty insurance industry.

The Institutes are developing the Instructor Resource Center, an online community for course instructors where they can access course Review Notes, Instructors Guides, discussion boards, and program information and share presentations/activities with other instructors. A separate resource center exists for each program. We now have Instructor Resource Centers for AIC, AINS/AIS, ARM/ERM, and CPCU.

The Institutes will continue to offer the CPCU Candidate Outreach Contest in 2011. This contest is designed to encourage interaction among CPCU Society chapters and people pursuing the CPCU designation. In a recent study, we found that CPCU students who have contact with their local chapters are almost twice as likely to complete the CPCU program and become CPCU Society members. The contest began on April 1, 2011, and ended on Sept. 15, 2011. Winners will be announced in late September and will be acknowledged at the CPCU Society's Annual Meeting and Seminars. ■

Donna Popow Given Outstanding Presentations Award

Donna J. Popow, Esq., CPCU, AIC, is pictured with her award.

Donna J. Popow, Esq., CPCU, AIC, has earned an Outstanding Presentations Award from the Property Loss Research Bureau (PLRB). The award was presented at the PLRB Annual Claims Conference in Nashville on April 4, 2011.

Popow, along with her co-presenter **Elise M. Farnham, CPCU, ARM, AIM, CPIW,** have been teaching ethical decision-making at the PLRB Annual Claims Conference for the past three years. The award highlighted the creativity used in developing the presentation and ethics game. Attendees who participated in the game have commented on how realistic the scenarios are and how much fun they had in the session.

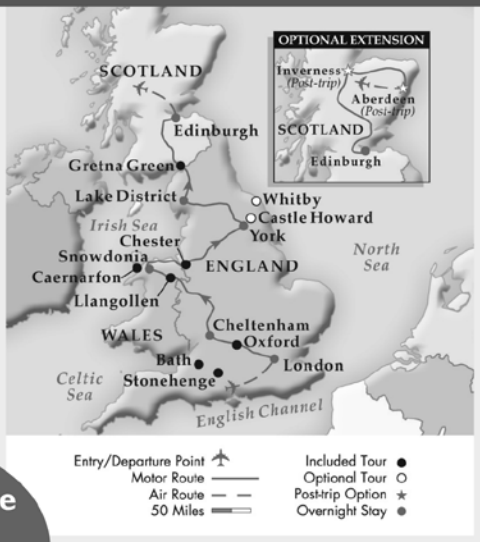
Popow and Farnham will present this same session at the CPCU Society Annual Meeting and Seminars in Las Vegas, using scenarios from many different insurance job functions, in addition to claims.

Please join us in congratulating Popow on winning this most prestigious award. ■

TRAVEL PROGRAM for CPCUs

England, Scotland & Wales

LONDON • COTSWOLDS • SNOWDONIA • YORK • LAKE DISTRICT AREA • EDINBURGH



15 days from only **$3295**
including roundtrip airfare from New York

Please be sure to mention Service Code GG23319

Plus, enjoy *your choice* of these optional extensions:
London, England: 3 nights pre-trip from only **$695**
Scottish Highlands: 4 nights post-trip from only **$895**

Gather your friends and relatives and join other CPCU Professionals on this great travel adventure

IT'S INCLUDED

- **Roundtrip international air transportation**—aboard regularly scheduled flights from New York to London, returning from Edinburgh
- Airport welcome and private transfers
- **Accommodations** for 13 nights in comfortable rooms with private baths
- **22 meals:** 13 breakfasts, 3 lunches, and 6 dinners
- **8 included tours:** London • Stonehenge • Bath • Stratford-upon-Avon • Oxford • Chester • York • Edinburgh
- **Exclusive Discovery Series events:** Home-Hosted Dinner in Wales • York Minster history tour
- **Personal headset on all included and optional tours**
- Exclusive services of a resident Grand Circle Program Director
- **5% Frequent Traveler Credit toward your next Grand Circle trip**—at least $164 per person
- Private motorcoach land travel
- Baggage handling for 1 piece of luggage per person, including tips

ITINERARY
JUNE 13, 2012

PRE-TRIP OPTION: 3 NIGHTS IN LONDON

DAY	*DESTINATION/HOTEL*	*MEALS*
1	Depart U.S.	
2	Arrive London, England *London Lancaster Hotel, or similar*	*D*
3	London *London Lancaster Hotel, or similar*	*B*
4	London/Cotswolds Area *Cheltenham Park Hotel, or similar*	*B, D*
5	Cotswolds Area *Cheltenham Park Hotel, or similar*	*B, L*
6	Cotswolds Area/Snowdonia, Wales *Celtic Royal Hotel, or similar*	*B, D*
7	Snowdonia *Celtic Royal Hotel, or similar*	*B*
8	Snowdonia/York, England *Park Inn York Hotel, or similar*	*B, D*
9-10	York *Park Inn York Hotel, or similar*	*B*
11	York/Lake District Area *Shap Wells Hotel, or similar*	*B, L, D*
12	Lake District Area/Edinburgh, Scotland *Carlton Hotel, or similar*	*B, L*
13-14	Edinburgh *Carlton Hotel, or similar*	*B, D*
15	Edinburgh/Return to U.S.	*B*

POST-TRIP OPTION: 4 NIGHTS IN THE SCOTTISH HIGHLANDS

Book today—space is limited!

This travel program is operated by Grand Circle Travel.

Reservations & Information:
Call Grand Circle Travel **Toll-Free 1-800-597-2452 Option #2**

Claims Interest Group
Volume 29 • Number 3 • September 2011
Claims Quorum

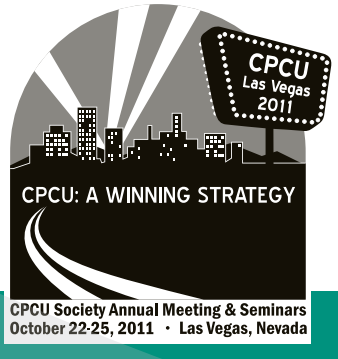
CPCU Society
720 Providence Road
Malvern, PA 19355
www.cpcusociety.org

Address Service Requested

PRSRT STD
U.S. POSTAGE
PAID
BARTON & COONEY

10 Reasons Why You Should Attend the CPCU Society Annual Meeting and Seminars

1. Celebrate with the CPCU Class of 2011.
2. Spend four great days with the best and brightest in the business.
3. Hear exclusive insights from senior-level executives on today's hottest topics.
4. Sharpen your knowledge through the industry's finest array of educational programs.
5. Be inspired by compelling speakers to achieve your goals.
6. Learn new technical skills that you can put to use immediately.
7. Strengthen your leadership skills.
8. Find out how to take control of your career.
9. Network with your CPCU Society peers at special events.
10. Be energized to achieve your personal best!



The Claims Interest Group newsletter is published by the CPCU Society's Claims Interest Group.

Claims Interest Group
http://claims.cpcusociety.org

Chair
Tony D. Nix, CPCU, CIFI
State Farm
Email: tony.d.nix.aqf9@statefarm.com

Editor
Charles W. Stoll Jr., CPCU, AIC, RPA, AINS
Cunningham Lindsey
Email: cstoll@cl-na.com

Assistant Editor
Donald O. Johnson, CPCU, J.D., LL.M.
D. O. Johnson Law Office PC
Email: donjohnson@dojlaw.com

CPCU Society
720 Providence Road
Malvern, PA 19355
(800) 932-CPCU (2728)
www.cpcusociety.org

Director of Program Content and Interest Groups
John Kelly, CPCU

Managing Editor
Mary Friedberg

Design/Production Manager
Joan A. Satchell, PPPC