

Message from the Chair

by Carl R. Sadler, CPCU, ASLI



Carl R. Sadler, CPCU, ASLI, is president of Transportation Insurance Consultants LLC (www.TIC-LLC.com), where he offers consulting, expert witness and training services, mostly involving truck and commercial auto insurance. During his 39-year insurance career, Sadler has been an underwriting officer at four separate property-casualty insurance groups and also has extensive truck/commercial auto insurance general agency and surplus lines experience. He can be reached at (610) 783-6644 or csadler@tic-llc.com.

After several years of inactivity, your Excess/Surplus/Specialty Lines Interest Group (ESSL) is back. During the last six months, we have made great strides in meeting the three primary goals that I identified in our last newsletter:

- (1) Recruit interest group committee members who have the right knowledge and skills, motivation, and the time to be active.
- (2) Reactivate our newsletter, *The Specialist*.
- (3) Produce 2012 Annual Meeting and Seminars.

New technologies, distressed and/or unique risks, and catastrophe exposures all have special insurance needs not easily met in the highly regulated admitted market. The ESSL Interest Group provides information and insight on the less-regulated and dynamic specialty and surplus lines marketplace. Through Webinars, symposia, newsletters, research projects, annual meeting seminars, and articles, the ESSL Interest Group seeks to promote better awareness of issues affecting the surplus lines and specialty insurance industry.

This is the third issue of the reactivated newsletter *The Specialist*. As of this issue, we have a new editor, **Gregg Rentko, CPCU, AU, MSIM**, Second Vice President, Western World Insurance

Company. Gregg is a former ESSL chairman and newsletter editor, which has helped in smoothing the transition from **Bruce D. Hicks, CPCU, CLU**, a senior editor at Rough Notes, who was our interim newsletter editor. We owe Bruce our thanks for his efforts in editing the last two issues.

At the time of our April 2012 newsletter, the ESSL Interest Group committee consisted of James W. Macdonald, Gregg Rentko, and me as members, and a volunteer, Elaine George. Since then, we have added four new members:

- Secretary—**Maureen O. Brown, CPCU, RPLU, ARM-P, ARe, ASLI**, Vice President, Primary Insurance Programs, Munich Reinsurance America.
- Annual Meeting Seminar Coordinator and Assistant Editor of *The Specialist*—**Royanna G. Carle, MA, CPCU, RMPE**, Marketing Director, States Self-Insurers Risk Retention Group, Inc., Berkley Risk Administrators Company, LLC.
- **Frederick R. Parcels, CPCU, ARM, ARe**
- Social Media Chairman—**Brendon Krout, CPCU, RPLU, ASLI, ACS, AIS**, Underwriter—Western Professional, United States Liability Insurance Group.

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We also have added four new volunteers:

- **Helen Ambrose, CPCU, RPLU, PHR**, Claims Specialist, Professional Liability Insurance Services, Inc.
- **Ed Hrabovsky, CPCU, ASLI**, Assistant Vice President, Gresham & Associates.
- **Stephen D. Nadeau, CPCU, CIC, ASLI, ARe**, Property Group, Beazley Group.
- New Designee Chairwoman—**Jamie Secor, CPCU, RPLU, ASLI**, Executive Underwriter, Kinsale Insurance Company.

We have made progress, but we still need additional ESSL committee members. Our goals are geographic balance, a reasonable spread of ages and experience, various functional roles (underwriting, claims, administration, marketing), and participation by all segments of the business (brokers, insurers, and reinsurers). We especially need members from the wholesale (E&S) broker community. Anyone interested should contact me at csadler@TIC-LLC.com.

Prospective committee members must complete the Society’s three-page “Application for CPCU Society Service.” Interest group committee members, per the Society guidelines, serve three-year terms and are expected to attend both the Annual Meeting and the Leadership Summit each year. In addition, committee members agree to participate in monthly teleconference meetings and in committee work. For planning purposes:

Interest groups are heavily involved in producing technical annual meeting seminars. Lead times are long; for example, proposals were due on Nov. 11, 2011, for the September 2012 Washington, D.C.,

2012 Leadership Summit	Miami, Fla.	April 26-28, 2012
2012 Annual Meeting	Washington, D.C.	Sept. 8-11, 2012
2013 Annual Meeting	New Orleans, La.	Oct. 26-29, 2013
2014 Annual Meeting	Anaheim, Calif.	Sept. 20-23, 2014
2015 Annual Meeting	Indianapolis, Ind.	Oct. 3-6, 2015
2016 Annual Meeting	Honolulu, HI	Sept. 17-20, 2016
2017 Annual Meeting	Nashville, Tenn.	Oct. 7-10, 2017

Annual Meeting. Under Royanna Carle’s leadership, ESSL submitted these four proposals, with the coordinator indicated:

- *Emerging Issues in Privacy Protection, Network Security, and Cyber-Liability* (Gregg Rentko)
- *Everything You Always Wanted to Know About the E&S Market but Were Afraid to Ask* (Fred Parcells)
- *Reflecting on the Liability Insurance Crisis—25 Years Later* (Royanna Carle)
- *Residential Wind and Flood Insurance—Key Developments Since 2005 and New Approaches to Consider* (Jim Macdonald)

The E&S Market proposal was accepted as submitted. Two other interest groups proposed seminars similar to ours on wind. The three interest groups have been asked to coordinate a single joint proposal. Three other interest groups proposed cyber-liability seminars; we are coordinating a single joint proposal. So it looks like we will be involved in three 2012 annual meeting seminar proposals.

Our second group of goals includes (1) reactivating the ESSL Web site, (2) encouraging use of our new LinkedIn capability, (3) developing our first webinar, and (4) encouraging articles and a research project. We are beginning to make progress on those items, which I will report on in our next newsletter.

Once again, welcome to your resurrected ESSL Interest Group, which needs additional volunteer leaders to continue to be successful. Please contact me at (610) 783-6644 or csadler@TIC-LLC.com. ■

The Nonadmitted and Reinsurance Reform Act: Change Comes to the Surplus Lines Industry

by Gregg C. Rentko, CPCU, AU, MSIM



Gregg C. Rentko, CPCU, AU, MSIM, is second vice president at Western World Insurance Group (Franklin Lakes, N.J.), where he is responsible for the Professional Lines Department in the Brokerage Division. His insurance career includes jobs at AIG, CNA and ACE. He is a former ESSL chairman. Gregg can be reached at (201) 847-2820 and at g.rentko@westernworld.com.

Background

In the summer of 2010, the United States Congress passed, and the President signed into law, the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”). As part of this comprehensive financial services reform legislation, the Nonadmitted and Reinsurance Reform Act (NRRA) was incorporated into the bill. This addition to Dodd-Frank brought significant reforms to the surplus lines industry. This past July—one year after Dodd-Frank was signed into law—the NRRA took effect.

The NRRA reforms apply to surplus lines insurance, independently procured insurance, and reinsurance, and they affect both companies and brokers that operate in the U.S. nonadmitted or reinsurance markets.

The key provision in the NRRA is to override the confusing multistate rules and regulations and introduce a single state tax and compliance system. With the passage of the NRRA, the issues that plagued brokers for three decades with regard to multistate compliance vis-à-vis licensing and taxation became a thing of the past.

As noted, the NRRA re-introduces the one-state compliance system for the placement of surplus lines insurance. The act eliminates the multiple state compliance rules established in 2000 under Gramm-Leach-Bliley in favor of a single “home state” approach. Under the act, the home state is designated as the home state of the insured. The NRRA defines “home state” as the insured’s principal place of business or principal residence (if the insured is an individual). The act grants the home state the following authorities:

- Only the home state of an insured may require the payment of premium taxes for nonadmitted insurance.
- The placement of surplus lines business will be subject to the regulatory requirements solely of the insured’s home state.
- Only the insured’s home state may require a broker to be licensed to sell or negotiate surplus lines insurance with respect to the insured.

The NRRA also establishes uniform nationwide eligibility criteria for U.S. surplus lines carriers.

What do the reforms in the NRRA mean for carriers?

The NRRA provides significant benefits for nonadmitted carriers. The NRRA establishes uniform eligibility requirements for U.S.-domiciled companies (as opposed to the companies’ needing to meet eligibility rules in each jurisdiction). Alien insurers (those domiciled outside the U.S.) benefit in that no state can “prohibit a surplus lines broker from placing nonadmitted insurance with, or procuring nonadmitted insurance from, a nonadmitted insurer domiciled outside the United States that is listed on the *Quarterly Listing of Alien Insurers*...”

What do the reforms in the NRRA mean for brokers?

Surplus lines brokers will have a major influence on how they procure, negotiate and sell surplus lines insurance. With the elimination of the multistate compliance model:

- (1) Brokers need only to comply with the tax provisions of the insured’s home state. A broker will no longer have to collect and submit taxes to each state that in which an insured operates or resides.

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- (2) Brokers will only be required to comply with the placement laws of the home state. With this provision in place, placement compliance procedures (such as export list searches and diligent search requirements) in all but the home state will no longer apply.
- (3) Brokers will need to hold a surplus lines license only in the insured's home state in order to place business for the insured (as opposed to holding a license in each state in which an insured resides).
- (4) Placement of insurance for exempt commercial purchasers in the surplus lines market will be streamlined (refer to Section 525 of the NRRA).

What is the status of NRRA and its adoption by the states?

As of the end of 2011, 44 states passed legislation to bring their state laws into compliance with the NRRA. In the remaining states, Iowa, Colorado and South Carolina had adjourned their sessions without taking action; Michigan, Wisconsin and the District of Columbia did not pass legislation related to the NRRA; and Illinois has a bill pending but awaiting guidance from the Department of Insurance.

Resources on the Web related to NRRA

For additional information about the NRRA and its various provisions, as

well as how states have been addressing the implementation of the NRRA regulations, please refer to the following resources:

American Association of Managing General Agents
www.aamga.org/files/NRRA/NRRAComplianceGuide_111411.pdf

National Association of Professional Surplus Lines Offices, Ltd.
www.napslo.org/imispublic/AM/Template.cfm?Section=NRRA_Resources1

National Association of Insurance Commissioners
www.naic.org/index_financial_reform_section.htm ■

Book Review

The Power Formula for LinkedIn Success— Kick-start Your Business, Brand, and Job Search, by Wayne Breitbarth (2011, Greenleaf Book Group Press, \$16.95)

Reviewed by Prakash Kurukunda, CPCU, and Carl R. Sadler, CPCU, ASLI, Valley Forge Chapter, Personal Lines Interest Group



This short book (175 pages) is written as an introduction to LinkedIn by a CPA who owns a suburban Milwaukee office furniture business. It is valuable as an introduction to the business reasons to create a LinkedIn profile and as a discussion of the importance of the elements of such a profile. However, it has serious shortcomings in how to technically accomplish the tasks necessary to create an account.

This review is a joint effort between an insurance IT professional and a not-so-technically-savvy industry practitioner. The theory is that both viewpoints will benefit the nonsystems insurance reader.

The Book's Contents

Most insurance professionals recognize LinkedIn as the world's largest online business networking site. Many have even created a LinkedIn profile.

The majority of us, however, do not know how to effectively use this relatively

new tool to enhance our business relationships. This book emphasizes the benefits of LinkedIn, describing the major features and why they are important. The most interesting chapter discusses the importance of defining what benefits you are seeking from LinkedIn and of customizing your strategy to appropriately employ the relevant features to achieve your goals.

There are separate sections covering the following elements and features of LinkedIn:

- Profile.
 - ♦ Personal identification box.
 - ♦ Experience section.
 - ♦ Recommendations (importance of, obtaining, writing).
 - ♦ Education.
 - ♦ Hyperlinks to websites.

- ♦ Public profile URL.
- ♦ Summary section.
- ♦ Specialty section.
- ♦ Application features (box.net Files, slide shows, reading list, events and answers).
- Searching.
- The Introduction Function.
- Expanding Your Network.
- Using Keywords.
- Researching Companies.
- LinkedIn Groups.
- Managing Your Account and Your Settings.
- Using LinkedIn to Find a Job.

What the Book Does Not Cover

The author identifies the tasks one needs to complete to effectively develop a LinkedIn presence. However, the book fails to cover how to accomplish these tasks. Many of them are likely easy for IT professionals, but non-IT professionals could benefit from clear and detailed instructions. Examples of tasks that require further discussion include these:

- How to upload a personal photograph.
- How to get help on LinkedIn.
- How to upload Power Point presentations.
- How to provide links to YouTube videos.

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- How to provide a link to your personal and/or business websites.
- How to tweet your status updates.

Other Sources of LinkedIn Information

Even if this book more effectively addressed these necessary techniques, the instructions would have soon become inadequate because both LinkedIn and technology in general are changing so rapidly. However, its “how-to” deficiencies can be overcome if readers consult online sources, which can be updated more readily. Examples of worthwhile sites include these:

- <http://learn.linkedin.com/what-is-linkedin/>.
- <http://www.learnthenet.in/how-to/use-linkedin/index.php>.
- <http://www.youtube.com/watch?v=KQs1P547vIU&feature=related>.
- <http://www.interactiveinsightsgroup.com/blog1/linkedin-superguidetutorials-tips-and-tool/>.

Relevance to Property Casualty Insurance Professionals

One of LinkedIn’s major features is that members can share business information through participation in user groups. There is a wealth of knowledge and knowledge sharing on LinkedIn groups. Some of the groups that these reviewers have found to be useful for insurance professionals are listed below; they can be accessed by using the links provided or by searching for them on LinkedIn:

- **CPCU & CII Insurance Professional Network:** Focused group for certified CPCU and CII insurance professionals from across the globe (http://www.linkedin.com/groups?home=&gid=880217&trk=anet_ug_hm).

- **CPCU Interest Groups:** Most of the CPCU Society’s fourteen interest groups sponsor LinkedIn groups (http://www.linkedin.com/groups?about=&gid=2213313&trk=anet_ug_grppro).

- **Insurance Underwriter’s Professional Network:** This group is designed to be a melting pot for insurance underwriters from all backgrounds (URL?). In it, members discuss relevant industry information, the current market and overall strategy.

- **Insurance Journal—Property Casualty Insurance News & Info:** This group helps members keep up to date with the latest property casualty insurance news, info, people and events (http://www.linkedin.com/groups?about=&gid=2044159&trk=anet_ug_grppro).

- **P&C Claims Professionals:** This community is designed to connect people who share expertise in property casualty insurance claims handling to deepen their skills, help them perform their jobs at a higher level and advance in their careers. This includes all claims roles, from front-line adjusters, managers and operational staff (http://www.linkedin.com/groups?about=&gid=80469&trk=anet_ug_grppro).

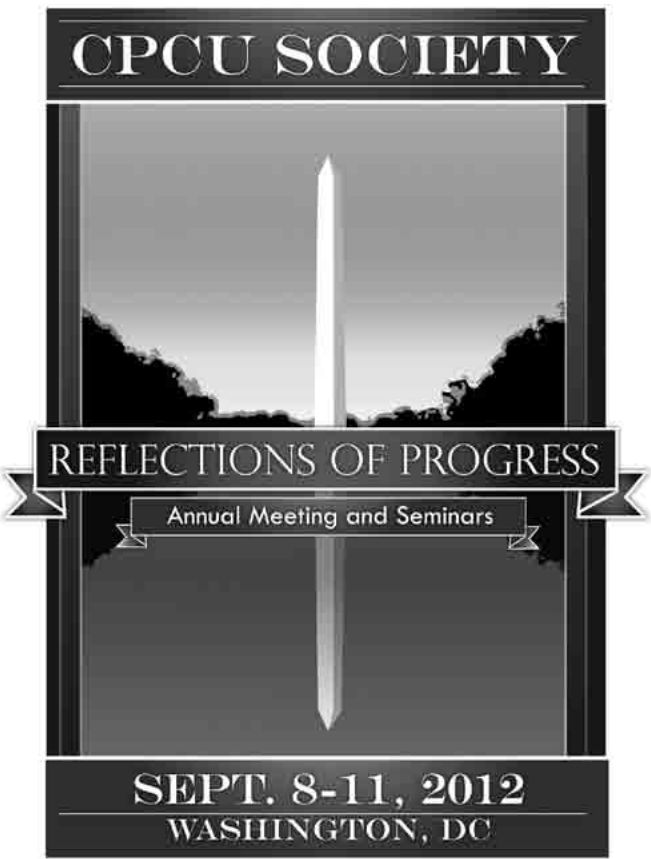
- **Actuary Network:** This group connects people interested in applied mathematics, risk, modeling, statistics, derivatives and analytics. It is open to professionals in actuarial science and to students interested in an actuary career or jobs, insurance, reinsurance, finance and health care (http://www.linkedin.com/groups?about=&gid=141251&trk=anet_ug_grppro).

- **Insurance Marketing Professionals:** This group is dedicated to insurance professionals interested in sharing ideas, thoughts and strategies on insurance distribution via brokerage, traditional agents, banks and direct channels (URL?).

Overall, it is difficult to recommend *The Power Formula for LinkedIn Success*. Although the book is valuable as an introduction to the business reasons to create a LinkedIn profile and as a discussion of the importance of the elements of such a profile, it is not helpful as a practical resource, both because of its lack of how-to instruction and because of the changing nature of technology. ■

SAVE THE DATE!

The 2012 Annual Meeting and Seminars and CPCU Conferment will be the best yet!



Highlights

- Robin Roberts of ABC’s Good Morning America Conferment Ceremony Keynote Speaker
- Dynamic General Sessions
 - General Stanley McChrystal
 - International Executive Panel
 - Women’s Forum

More than 30 exciting and informative sessions covering topics like:

- Cyber Risk
- Ethics
- Financial Planning
- Kidnap and Ransom
- Lloyd’s of London
- Surplus Lines

Registration Coming Soon!

Watch your inbox for updates and visit www.CPCUsociety.org



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Get Exposed!

We're always looking for quality article content for the Excess/Surplus/Specialty Lines Interest Group newsletter. If you, or someone you know, have knowledge in a given insurance area that could be shared with other insurance professionals, we're interested in talking with you.

Don't worry about not being a journalism major. We have folks that can arrange and edit the content to publication-ready status. Here are some benefits of being a contributing writer to The Specialist:

- Sharing knowledge with other insurance professionals.
- Gaining exposure as a thought-leader or authority on a given subject.
- Expanding your networking base.
- Overall career development.

To jump on this opportunity, please email either **Carl R. Sadler, CPCU, ASLI**, at csadler@tic-llc.com or **Bruce D. Hicks, CPCU, CLU**, at bruceh@roughnotes.com



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