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You can read newsletters filled with hot topics, join online discussion boards, initiate idea exchanges, make valuable connections, and much more — for every interest group. Have you selected your primary interest group yet? If not, go to the interest group area of the Society's Web site, www.cpcusociety.org, to indicate your primary area of interest. You can also identify your preference as to how you wish to receive an interest group's newsletter. Of course, as a paid CPCU Society member, you have electronic access to all interest group newsletters.

Message from the Chair

by Richard T. Lang, CPCU, AIM



Richard T. Lang, CPCU, AIM, is a senior examiner/team advisor with Bear River Mutual Insurance Co., where he is responsible for complex liability automobile and homeowner injury losses. He reviews staff files, manages litigation file discussions and provides training. Lang has worked on various projects involving underwriting and claim management systems. In addition, he has performed peer reviews for insurance trade publications. Lang has held several committee positions with the CPCU Society's Utah Chapter, and currently is serving a three-year term as chair of the Personal Lines Interest Group.

I want to express my gratitude and appreciation for all of your support this past year. We are proud and excited to have more than 3,000 CPCU Society members subscribed to this newsletter via print, Web and e-mail. And I am equally honored and pleased that 327 members have selected Personal Lines as their primary interest group and are active in our community and social network.

Once again, this year we received outstanding participation in our various networking and educational events from

our members. Also, throughout the year, they provided us with details on several activities and events they performed to promote the CPCU Society and the Personal Lines Interest Group (PLIG). Due to their efforts and submissions, the Personal Lines Interest Group earned Gold Circle of Excellence Recognition for 2008–2009.

The Personal Lines Interest Group networking breakfast kicked off the

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Message from the Chair

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Annual Meeting and Seminars Sunday lineup. Led by PLIG Committee member **David A. Halstead Jr., CPCU, ARM, ARe, API**, the program featured **Bob Wold**, regional field manager for the Colorado Emergency Management Agency. Wold discussed emergency planning and preparation and provided some terrific tips on protecting our families in the event of an emergency such as a wildfire, hail or windstorm.



Following the breakfast, **Kellie H. Green, CPCU, MBA**, and her planning team presented valuable insight via the seminar “Emerging Trends in Personal Lines Insurance.”

With more than 75 attendees, this session was standing room only. Due to this outstanding response and support, we are working to create further discussion on this same topic by producing a webinar this coming year with our esteemed Annual Meeting and Seminars speakers. For further details, make sure to read the article written by Kellie on page 12 of this issue.

On Tuesday afternoon, Sept. 1, we concluded our Personal Lines Interest Group Annual Meeting and Seminars offerings by partnering with the Underwriting Interest Group and Accenture to discuss “Embracing Technology in Underwriting.” PLIG Committee members **Jeffrey C. Schultz, CPCU**, and **Daniel L. Blodgett, CPCU, AIM, AIS, PMP**, were instrumental in producing this enriching seminar, which was rewarded by more than 60 attendees. As a result of the interest in this topic, Jeff is continuing to work jointly with our seminar partners to produce a potential follow-up webinar on this subject.

In Denver, your committee held a planning meeting to discuss ideas submitted as possible topics for the 2010 CPCU Society Annual Meeting

and Seminars, to be held next September in Orlando, Fla. We are working diligently toward sponsoring another breakfast event and developing seminars as we continue our dedication to you and each other in providing educational and networking opportunities. Stay tuned to our Web site for updates to our list of upcoming events.

I should also mention that we had a very pleasant surprise when **Stacey Hinterlong**, an insurance student from Illinois State University, joined us for our planning meeting. She brought terrific enthusiasm to our discussion and was invaluable in providing us with the perspective of a student and future insurance leader. Our thanks go to the Central Illinois Chapter for sponsoring two Annual Meeting student scholarships.

We are proud to include the article on page 4 written by Stacey about her experiences at the Annual Meeting and Seminars. Our group continues to offer an invitation to any member or insurance student who attends the CPCU Society’s Annual Meeting and Seminars or Leadership Summit to join our committee meetings and share their opinions. It was good to hear Stacy’s thoughts and ideas.

Finally, I want to announce your Personal Lines Committee has been joined by two new members, **Larry E. Moser, CPCU, CLU**, agency sales operations manager for Allstate Insurance Company in Northbrook, Ill., and **Prakash Kurukunda, CPCU**, personal lines applications manager with Harleysville Insurance in Harleysville, Pa. We are excited to have these CPCUs join our committee and know they are looking forward to serving you. ■

Note from the Editor

by Daniel L. Blodgett, CPCU, AIM, AIS, PMP



Daniel L. Blodgett, CPCU, AIM, AIS, PMP, is a project manager in the Systems Department of State Farm's home office in Bloomington, Ill. He started with State Farm in 1990, holding positions such as auto underwriter and supervisor in the State Farm Payment Plan. Blodgett is on the board of directors of the CPCU Society's Central Illinois Chapter, and is past president of the Society's Southwestern Michigan Chapter and past chair of the Personal Lines Interest Group.

We are just beginning to enter the holiday season. I hope that you have enjoyable plans for time with family and friends over the next weeks and months.

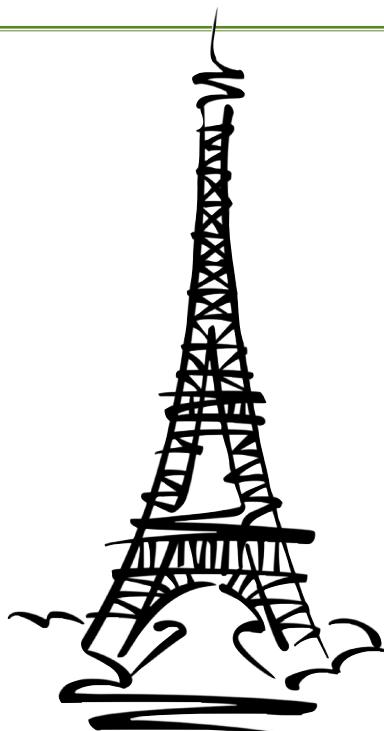
For most families I know, these times bring family activities that we really enjoy — texting, twittering, blogging, etc. Okay ... just kidding. I really don't equate those activities to the holidays — most of these activities are done regardless of the season and at an alarmingly increasing rate.

So, regardless of your holiday passions, take the time to enjoy the upcoming season while it lasts. Also, please enjoy this final 2009 issue of *Personally Speaking*, as we have a terrific selection of articles written by a great lineup of authors:

- Our chair, **Richard T. Lang, CPCU, AIM**, leads out the issue with an overview of the Personal Lines Interest Group's participation in the 2009 Annual Meeting and Seminars as well as an expression of gratitude for a year's worth of excellent effort.

- A wonderful article from Illinois State University student **Stacey Hinterlong** about her experiences at the Annual Meeting and Seminars in Denver.
- A few recaps of the Annual Meeting and Seminars programs offered by Personal Lines Interest Group members.
- An article by the team of **Robert A. U'Ren, CPCU**, and **John E. Cantwell** on the need for developing an integrative rating and issuance strategy for the personal auto policy.
- Workers' comp fraud is the topic undertaken by **Duncan Prince, CPCU, CIC, CRM**.
- And rounding out our "holiday" issue is an article from our very steady contributor, **David A. Thompson, CPCU, AAI, API**, on flood E&O issues.

On behalf of the Personal Lines Interest Group Committee, I hope the season brings joy to you and yours. ■



Paris in the Springtime

CPCU Travel Program Presents

The Seine — Paris to Normandy

13-Day River Cruise Beginning April 6, 2010

See the sights of Paris and then cruise and tour the villages of France along the Seine to Normandy.

Starting at \$2,995 (cost based on two in a cabin). *Space is limited.*
Sign up and pay early for up to a 10 percent discount.

Extend your trip — A pre-trip in London and/or a post-trip in Paris are available from \$595.

For reservations: Call Grand Circle Travel, (800) 221-2610.

Questions?

Contact Dick Vanderbosch, CPCU, at (970) 663-3357 or rbosch@aol.com or visit <http://seniorresource.cpcusociety.org>.

The Intriguing Insurance Industry — A Student's-Eye View

by Stacey Hinterlong



Stacey Hinterlong is a senior at Illinois State University (ISU), where she is double majoring in insurance and finance. She anticipates graduation in December 2009. At ISU, Hinterlong is an executive officer of the Alpha Kappa Chapter of Gamma Iota Sigma, an international insurance fraternity. She also is president of ISU's Toastmasters Club, an organization to strengthen communication and leadership skills, and president of ISU's Rho Lambda, the National Sorority Leadership Recognition Society.

Editor's note: On scholarships offered by the CPCU Society's Central Illinois Chapter, Illinois State University students Stacey Hinterlong and Susan Lipps attended the CPCU Society's Annual Meeting and Seminars in Denver, Colo. Hinterlong is currently in the process of taking her CPCU exams and hopes to become a CPCU Society member soon. She eagerly awaits active involvement at the local chapter and Society levels.

I had the wonderful opportunity to be one of the first two students majoring in insurance at Illinois State University to attend the CPCU Society's Annual Meeting and Seminars on a scholarship sponsored by the Central Illinois Chapter. I went through an application process and was honored to hear that I was chosen. This was only the beginning of the excitement to come.

I often hear things like, "You're majoring in insurance? Do you realize how boring that is?" This is far from the truth; however, this impression is an unfortunate hurdle that must be overcome to get younger talent interested in the industry. The CPCU Society's Annual Meeting and Seminars is a wonderful starting point. My eyes were opened to an industry full of meaningful educational events, valuable networking and great fun.

My adventures began in Denver by attending the Personal Lines Interest Group Committee meeting with one of my Central Illinois Chapter mentors, **Daniel L. Blodgett, CPCU, AIM, AIS, PMP**. The committee members were innovative and encouraging, and they asked for — and valued — my opinions. They were excited to get a "different generation's point of view."

The value I received out of this meeting is indescribable. I was able to hear the

differing perspectives of educators, underwriters, agents and project managers — and that is to just name a few. The Personal Lines Interest Group is filled with a variety of industry members, and to listen to them interacting together is an education that can be found nowhere else.

My adventures then took me to the Opening General Session and the AICPCU Conferment Ceremony. To see and hear from the newest CPCU Society members encouraged me to obtain my CPCU designation as early as possible. This was followed by the Congratulatory Reception, which was my opportunity to network. There is no better way to figure out which side and what area of the industry I might like to be on than by talking to those with experience.

My eyes were opened to an industry full of meaningful educational events, valuable networking and great fun.

I attended Sunday's General Session, where the keynote speaker, General Honoré, put me on the spot (and on camera for the audience) with a question. This session was great in that it really made me think. And it also highlighted some possibilities that I have for my future that I didn't even know existed.

I also was able to attend educational seminars, the meat and potatoes of the Annual Meeting. They gave me an education that a professor couldn't teach me in a classroom. I was able to choose a variety of topics that interested me, such as the Mock Trial, the Women's Forum, sustainability and international insurance. I was able to make valuable connections with industry members that were truly interested in the advancement of my future. And I was encouraged to earn my CPCU designation, become involved in the CPCU Society, take



Illinois State University students Stacey Hinterlong (pictured on left) and Susan Lipps respond to a question posed at Sunday's Annual Meeting General Session in Denver by keynote Lt. General Russel L. Honoré, U.S. Army (Ret.).

committee leadership positions and strive for my newest goal — becoming a CPCU Society president and chairwoman.

The most important takeaway from the CPCU Society's Annual Meeting and Seminars is the mentoring I received. In addition to Dan Blodgett, I had two other mentors assigned to me from the Central Illinois Chapter — **James R. Jones, CPCU, ARM, AIC, and Angela M. Blair, CPCU, CLU, ChFC**. All three did a great job of introducing me to important contacts to advance my career. While in Denver, I also obtained a few more mentors, who offered valuable advice and encouraged me to use them as future contacts.

I could speak of my experience for days, but, overall, the value that I obtained in Denver is unique and irreplaceable. I wish every insurance student could have the opportunity to attend a CPCU Society Annual Meeting and Seminars as valuable as the one in Denver. I hope that by reading this, you encourage your chapter to sponsor students to attend a future meeting.

Be sure to become a mentor and encourage interest in this wonderful industry. I look forward to graduation and becoming a member of such a strong and prestigious society. I would like to end by taking one last opportunity to thank the CPCU Society's Central Illinois Chapter for sponsoring the scholarship and for allowing me to have this once-in-a-lifetime experience. ■

Embracing Technology — A Joint Effort

by Daniel L. Blodgett, CPCU, AIM, AIS, PMP

Joint effort. I love the process involved in teamwork and enjoy the challenge of bringing a project to completion by joining forces with colleagues. A most recent example is the seminar “Embracing Technology in Underwriting,” which was presented at the 2009 CPCU Society Annual Meeting and Seminars in Denver.

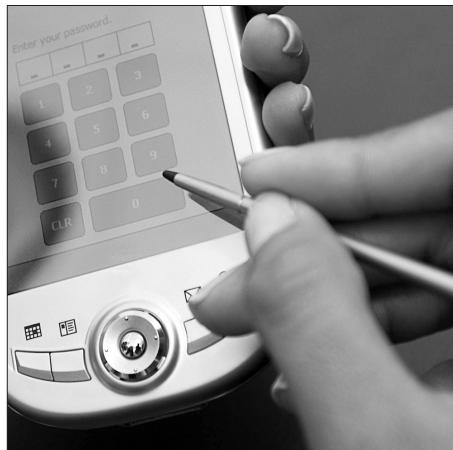
The Personal Lines and Underwriting Interest Groups partnered with Accenture, a global management consulting, technology services and outsourcing company, to present the results of a 2008 Accenture survey. It measured the degree to which technology has helped underwriters perform more efficiently and more effectively as well as explored new issues and trends faced by underwriters.

The Annual Meeting and Seminars session was very well attended, by new designees and experienced CPCUs alike. I offer the following summary on behalf of the Underwriting and Personal Lines Interest Groups to those of you who were in attendance (thank you, by the way) and to those of you who were unable to attend the CPCU Society’s Annual Meeting and Seminars.

Survey Results

Gail McGiffin, a senior executive in Accenture’s Insurance Practice, leading its Global Underwriting Transformation Offerings, was the first of two speakers who addressed technology in personal lines. She discussed the results of a comprehensive 2008 Accenture survey of CPCU Society underwriters, a follow-up to the original 2005 survey. Accenture surveyed members of the CPCU Society’s Underwriting and Personal Lines Interest Groups to measure underwriters’ perceived performance improvement relative to accomplishing their jobs more efficiently.

McGiffin reported that at least half of all personal lines underwriters indicated that technology has *increased* their workloads. (A case in point ... Have any of you been involved with going “paperless” in the



last 15 years?) The surveyed underwriters report that lack of process and data integration is key to the increase in their work in areas such as submission handling and risk evaluation.

The survey further indicates that personal lines underwriters identify certain functions as critical for their becoming more effective in their jobs. These functions are listed below, with predictive models being the highest priority among the top five.

- (1) Predictive models.
- (2) Business intelligence.
- (3) Rules engines.
- (4) Mapping — Geographic Information System (GIS).
- (5) Workflow.

Underwriters indicate that improvements in these areas can free them up to focus on often-neglected areas such as portfolio management and agency relations.

Our second presenter was CPCU candidate **Laura Bartlett**, an assistant vice president with Allstate, who addressed, from her perspective, some of the key technology issues. She believes many smaller insurers can make more rapid improvements in technology because these companies typically are not

burdened with legacy computer systems that are older (but useful) and not as quick to adapt to the rapid pace of change needed in our industry. As Bartlett told the audience, “Nimble wins the day.”

Communication is the major concern with regard to improving agency technology and interface issues. (This is something I relate to as a project manager — 90 percent of my issues are communication-related.) It’s also important to think about social networks as holding valuable information.

Bartlett concluded her presentation with the recommendation for insurers to be proactive in expanding their use of technology in the future, including consideration of the following.

- Evaluating more active involvement with social networking Web sites (e.g., Facebook, LinkedIn).
- Look into mashup applications — utilizing two existing but disparate applications and effectively merging them together (e.g., telematics and auto safety devices).
- Partner with weather and meteorological researchers to improve forecasting, rating and loss control activities.

Erin A. Fenlon, CPCU, CIOP, AU, an executive with the Hanover Insurance Group, was the final presenter of the program. She offered her thoughts on aligning strategies for developing technology and underwriting goals with the corporate vision.

Identifying strengths and risks with technology is a critical factor; of course, obtaining the appropriate funding is always a driving force for actually implementing the needed changes.

Knowing how to deliver technology improvements via your organization’s unique “roadmap” improves chances of success and increases buy-in from your agency partners. Usually, technology

is the impetus behind the success of predictive modeling and aggressive pricing strategies.

Identifying strengths and risks with technology is a critical factor; of course, obtaining the appropriate funding is always a driving force for actually implementing the needed changes.

Fenlon also provided “lessons learned” from prior projects. (I really appreciated this aspect from a fellow Project Management Professional — PMP.) These assistive lessons can help move initiatives forward more smoothly and reduce time-to-market for future efforts. She closed with a reminder to all for the necessity of clean and accurate underwriting data and tied it in nicely with how technology has bolstered our ability to deliver this in the recent times.

My colleague and fellow Personal Lines Interest Group member, **Robin K. Olson, CPCU, CRIS, ARM, AAM, ARP**, director of training and education for the International Risk Management Institute (IRMI), says it best: “The message from this seminar was clear — insurers that invest in smart and effective technology in order to make their underwriters more efficient will benefit in myriad ways. As long as this technology can be properly integrated into an agent’s operations, these benefits will also be reaped by their agency partners.”

A great program, a great partnership, and a great joint effort — all thanks to our two interest groups and Accenture. I can’t wait to work on my next effort on behalf of the Society for the benefit of our membership. ■



CIRCLE OF EXCELLENCE
RECOGNITION PROGRAM

To the Personal Lines Interest Group — A Congratulatory Pat on the Back

*Everyone ... please stand
and take a bow!*

The CPCU Society awarded the Personal Lines Interest Group Circle of Excellence Gold Recognition for 2008–2009. This marks the fourth year in a row that the Personal Lines Interest Group has earned this status.

Congratulations



Richard T. Lang, CPCU, AIM, (back row, second from the right) represented the Personal Lines Interest Group at the Circle of Excellence Luncheon in Denver, Colo. He is shown here with other interest group representatives; Marvin Kelly, CPCU, MBA, 2008–2009 CPCU Society president and chairman, first row, fourth from left; and James R. Marks, CPCU, CAE, AIM, chief executive officer, first row, first on left.

Striking the Balance in Personal Auto Policy Issuance — The Customer Experience and Premium Precision

by Robert A. U'Ren, CPCU, and John E. Cantwell



Robert A. U'Ren, CPCU, is a senior vice president at Quality Planning (QPC), a member of the ISO family of companies.



John E. Cantwell is assistant vice president of marketing at ISO.

Actuaries have always had to weigh their need for reliable data points against the practicality of information required to issue an insurance policy. Related to that is the willingness to rely on “self-reported” information in contrast to verifying important rating variables through third-party sources.

For example, it's cumbersome to capture policyholder work addresses accurately and efficiently when they are requested. Conversely, using credit data has been well integrated into most carriers' plans because it is automated, inexpensive and widely available from multiple providers.

Most customers are forthcoming regarding insurable vehicles. But some customers can conveniently “forget” that their teenager should be listed on the policy. Sometimes, customer (mis)information borders on fraud, such as providing a false address for lower pricing. Finally, carriers must wrestle with the frequency of updating rating inputs.

The Challenge

So what is the optimum frequency for ordering renewal MVRs or confirming a vehicle's annual mileage? What information can or should be gathered **once** — at point of sale — and never reconfirmed? How “healthy” is the classification integrity? Have specific problem areas been identified?

Each carrier will arrive at different conclusions. Product managers must determine the relative importance of each rating variable, and then develop strategies to optimize information needed to rate and issue new or renewal policies. But any approach must contemplate constraints such as operational expenses, technological capabilities, sales and retention metrics, and customer/agent satisfaction. Strategy can also

be influenced by markets served (for example, preferred versus nonstandard), state mix and current condition of the book of business.

Need for an Integrated Strategy

Most successful carriers can articulate a clear strategy with specific, ongoing operational programs designed to balance meeting their rating and issuance challenges. Such programs should have measurable goals and ROI thresholds to consider expenses, reduced premium leakage and retention. And each program must weigh the impact throughout the policy life cycle — from initial quote through claims and renewals.

The alternative is to wait until the book underperforms, and then conduct an expensive and potentially disruptive re-underwriting program. Some insurers use professional third-party expertise to address those challenges. That's because an unaided company-directed approach could create considerable internal stress, increase short-term underwriting expense pressure, and jeopardize agent and policyholder service levels. As a result, increased profitability comes at a steep price, causing companies to look the other way and reluctantly accept the associated premium leakage and adverse market positioning.

Tool Kit

Developing an integrated rating and issuance strategy is not an easy task, but it can be done. The auto insurance market is intensely competitive. Advertising spending remains strong, and shopping for rate quotes has never been easier for policyholders — who can leave very quickly if they feel underserved. Yet no carrier can truly afford to sacrifice premium accuracy to attract or keep customers.

2009–2010 Personal Lines Interest Group Committee

Chair

Richard T. Lang, CPCU, AIM

Bear River Mutual Insurance Co.
Murray, Utah
E-mail: richard.lang@brmutual.com

**David A. Halstead Jr., CPCU, ARM,
ARe, API**

Kemper, A Unitrin Business
Jacksonville, Fla.
E-mail: dhalstead@ekemper.com

Webmaster

**Lynn M. Davenport, CPCU, AIC,
AIM**

State Farm
Greeley, Colo.
E-mail: lynn.davenport.cqps@
statefarm.com

Prakash Kurukunda, CPCU

Harleysville Insurance
Harleysville, Pa.
E-mail: pkurukunda@
harleysvillegroup.com

Newsletter Editor

**Daniel L. Blodgett, CPCU, AIM, AIS,
PMP**

State Farm
Bloomington, Ill.
E-mail: dan.blodgett.cqsx@
statefarm.com

Larry E. Moser, CPCU, CLU

Allstate Insurance Group
Northbrook, Ill.
E-mail: lmoser@allstate.com

**Robin K. Olson, CPCU, CRIS, ARM,
AAM, ARP**

International Risk Management
Institute Inc.
Dallas, Texas
E-mail: Rob.O@IRMI.com

Kevin N. Beumel, CPCU, ARM, AAI

TransUnion LLC — Insurance Div.
Chicago, Ill.
E-mail: kbeumel@transunion.com

Jeffrey C. Schultz, CPCU

Allstate Insurance Group
Northbrook, Ill.
E-mail: jschultz@allstate.com

Ronald Cycon, CPCU

Merchants Insurance Group
Buffalo, N.Y.
E-mail: rcycon@
merchantsgroup.com

**Philip B. Weymouth Jr., CPCU, AAI,
AIS**

Weymouth & Smith Insurance Inc.
Wilmington, Del.
E-mail: popasan@msn.com

Liaisons

Mary Ann Cook, CPCU, AAI, AU

AICPCU
Malvern, Pa.
E-mail: cook@cpcuiia.org

John J. Kelly, CPCU, API

CPCU Society
Malvern, Pa.
E-mail: jkelly@cpcusociety.org

**Christopher H. Ketcham, CPCU,
CFP, CIC**

AICPCU
Malvern, Pa.
E-mail: ketcham@cpcuiia.org

Fortunately, tools available to personal lines actuaries, underwriters and product managers have never been richer.

Advanced analytics can identify which policies are most likely misrated so that underwriting actions can be targeted without affecting other policies. New data sets and delivery options have enabled data prefill (at time of quote) to be cost-effective, while elevating the customer experience and sales results. Sophisticated pricing models based on advanced analytics can fine-tune risk segmentation without additional customer information.



Renewal scoring can accurately predict which policy groupings are most likely to switch carriers. When overlaid with profitability data, this analysis can pinpoint specific accounts for concentrated retention efforts.

An auto underwriter's tool kit should contain all such precision instruments. They are readily available and reasonably priced and will help bring premium in line with risk, while adding competitiveness to the overall auto portfolio.

Verifying policyholder information at the point of sale and annually can be an efficient path to better auto underwriting results. Good information allows insurers to price risks accurately, improve rating integrity and lower combined ratios, while providing policyholders with more competitive rates, improved customer service and fewer reasons to switch carriers. ■

Seven Steps You Can Take to Stop Workers' Compensation Fraud

by Duncan Prince, CPCU, CIC, CRM

Duncan Prince, CPCU, CIC, CRM, is a principal and CEO of Invensure Insurance Brokers of Irvine, Calif. He has been a commercial insurance underwriter, underwriting manager, producer and agency owner/principal since 1983. A University of California at Irvine graduate, he specializes in complex risks requiring sophisticated coverages and risk management. Prince can be contacted at (949)756-4130 or dprince@invensure.com.

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Every successful business has a combination of formal and informal procedures and processes that give it the ability to serve its customers efficiently and cost effectively. Without those procedures, businesses close their doors.

However, when it comes to workers' compensation fraud, too many businesses, particularly smaller ones, take a hands-off approach and look to the insurance company to handle anything that falls in the workers' comp bucket, as if it's their problem. Unfortunately, this can turn out to be an extremely costly mistake.

If you want to keep your total workers' comp costs down, here are seven practical suggestions for making that happen.

(1) The Cost of Workers' Comp Fraud Comes Out of Your Pocket.

The first step is to recognize who pays for workers' comp claims. If you think it's the insurance company, you're dreaming. It's the employer who foots the bills.

To set the record straight, workers' compensation isn't insurance. When you have a claim, the insurance company advances you the money to pay it. Then, your Experience Modification Factor goes up and you are charged an additional premium for a period of three years.

The story only gets worse if a claim is fraudulent. To cover all the expenses involved in any claim, including a fraudulent one, your Experience Mod goes up and your premiums go up accordingly for, once again, three years.

It's also worth pointing out that when the insurance company advances the money to pay your claims, you are charged interest on the "loan."

The first step in dealing with workers' comp fraud in your company is to understand that you're the one who pays the piper.

(2) Report Injuries Immediately to Your Insurance Agent.

Contact your insurance agent immediately whenever there is any type of injury. Let your agent contact the insurance company. Your agent is the one who cares about you as a customer, and it's your agent who should be managing the claim.

The primary goal is to make sure the injured worker receives the proper treatment and that the recovery protocols are followed to facilitate a speedy recovery so the injured worker is returned to health and the job as quickly as possible.

When this process is followed, the possibility of fraud is less likely.

(3) Train Supervisors How to Handle Injuries.

A manager or immediate supervisor is the key contact when a worker is injured since it is the supervisor who has a relationship with the worker.

Since the supervisor is the person who knows and understands the worker best, it's the supervisor who should accompany the worker to the medical facility. The supervisor's role should also involve contacting the worker during recuperation to express concern and communicate the message that the person is wanted back on the job as soon as possible.

This level of contact is critical to the recovery process since it sends the injured worker the clear message that the employer cares and he or she is wanted back on the job.

While the supervisor's role with the injured worker may seem obvious, far too frequently an injured worker is left feeling alone



and cut off from the employer. In such conditions, the employee worries and may begin to think that no one cares. When that happens, a longer-than-necessary recovery may occur as well as the possibility of a lawsuit.

(4) Figure Out If Others Are Getting into Your Checkbook.

There are leaks in any system, particularly those that are highly complicated and involve literally billions of dollars a year. These are the perfect conditions for fraud, including workers' comp fraud. Although California has a fraud unit in every district attorney's office in the state, the task of detection is daunting. Employees, insurers, medical providers and employers have all found ways to defraud the workers' comp system, no matter how many safeguards are put into place.

Once it becomes clear it's employers that pay virtually all the workers' comp bills and that have the most to lose from fraud, there are steps they can take to minimize or stop it.

- Be alert to "Monday morning accidents." When investigated, they may be found to have occurred over the weekend. In the same way, take note of injuries that occur when no one else is around, particularly soft tissue injuries, specifically to the lower back.
- Make sure your insurance agent reviews loss runs and the medical bills carefully to make sure the services reflect mandated medical care protocols.

(5) Help Employees Understand Workers' Comp.

Employee education can help deter fraud. Begin with the fact

that workers' compensation is actually an employee benefit that's no different from healthcare coverage. One covers them when they are sick and the other when they are injured.

Also, point out that any type of fraud, including workers' comp fraud, is a crime, which the company will not tolerate and will report to the authorities.

The only way workers come to recognize that their employer cares about workers' comp is by discussing the issues with them — and that includes making it clear that any type of fraud will be prosecuted.

(6) Investigate Immediately.

Gathering information quickly is key. The more you learn about how an injury occurred, the more you can do to prevent it from happening again. Facts fade quickly, and people forget.

Investigating every injury, even a minor one, adds to your knowledge. Your insurance agent can assist you in setting up the right procedures.

If you suspect fraud may be involved, gather the facts and discuss them with your insurance agent. It may be that you will want to engage an investigator to gather additional information. There are literally countless instances of employees claiming an inability to work after an injury and then being photographed living a very active lifestyle.

With the results of an investigation in hand, employers turn the information over to a district attorney's fraud unit.

Unless employers take the initiative to ferret out fraud, there

are those who are more than ready to take advantage of the system.

(7) Always Perform a Pre-Employment Background Check.

If you want to avoid hiring a workers' comp claim waiting to happen (someone with a workers' comp injury record), then always conduct a pre-employment background check. According to a Society for Human Resources Management survey, human resources professionals report that nearly 100 percent of their companies perform background checks for new hires.

It's the right policy for all companies. But be sure to use a reliable service. You want to be sure the information is reliable and you are abiding by both federal and state laws. The California law is more comprehensive than the federal requirements.

Your background check report should include credit records, social security number, educational records, driving records, criminal records and workers' compensation.

It's more than worth the investment. The cost of performing background checks is more than worthwhile if it helps avoid just one workers' comp claim.

Workers' comp fraud is personal. It's no different than someone taking money from your bank account or stealing your equipment or inventory. When it comes to workers' comp fraud, your business is clearly the victim. Because you have the most to lose, it's up to you to stop it. ■

Emerging Trends in Personal Lines Insurance

by Kellie H. Green, CPCU, MBA



Kellie H. Green, CPCU, MBA, is a director with Allstate Insurance Company with focused accountability for driving customer satisfaction and retention. She has been employed with Allstate since 1989, working in both home office as well as field offices. Green's experience includes assignments in field underwriting, project management, compliance, education and employee development, and communication as well as various leadership positions. She currently serves on the Personal Lines Interest Group Committee and is a facilitator for the CPCU Society's Center for Leadership. Green received her master's in business administration from Kent State University.

What do you get when you combine three very knowledgeable and gifted speakers, a standing-room-only crowd of interested listeners, and subject matter that is both timely and appealing?

You get the seminar "Emerging Trends in Personal Lines Insurance," which was developed by the Personal Lines Interest Group for the 2009 CPCU Society Annual Meeting and Seminars.

This seminar was designed to provide an informative look at the changing needs of the personal lines marketplace and how the industry is responding with new data, analyses and approaches — all aimed at meeting the needs of today's and tomorrow's insurance consumer.

The information that follows provides highlights from this engaging session.

Dale M. Halon, CPCU, CIC, vice president at ISO Innovative Analytics, served as moderator for the session. He provided opening comments that included a view into advanced analytics and the impact they have had in the industry.

Advanced analytics combines business knowledge, available data, computational resources and analytical talent, resulting in innovative capabilities within insurance companies. New data sources are emerging on a regular basis, and those companies that are able to leverage these data sources can find new opportunities across the spectrum of underwriting, pricing and marketing.

As rating plans have evolved to become more sophisticated, they have provided opportunities for increased competition among insurers. The pressure to develop analytic capabilities continues to grow as companies see the negative revenue impacts that emerge when they fall behind the competition.

The next step in our journey included a look into industry and consumer trends, shared by **Claudette A. Kenmir, CPCU, CIC, CPIW**, vice president and regional general manager for Safeco Insurance Company.

In looking across the personal lines industry, we see that the industry is in a stable position overall, and this is important in an economic climate that has been anything but predictable in recent months. With this stability, however, we are seeing some trends that may be putting pressure on insurers:

- Policy retention is a key focus for all insurers — as competition grows, especially around price and service, all companies are challenged with finding ways to keep the customers they have.
- Normal weather patterns are harder to define, and we continue to see forecasts for difficult catastrophe seasons.
- Combined ratios are increasing, especially in homeowners markets (see preceding bullet!).
- Economic pressures are resulting in fewer home and auto sales, and a significant increase in home foreclosure rates.
- The industry, as a whole, has seen little to no underwriting profit over most of the last 20 years.

Given the current state of the personal lines industry, it is more important than ever that insurers pay attention to the changes that are taking place among consumers and within the marketplace so they can find ways to meet the changing needs of current and potential customers.

Some of the noted consumer and marketplace trends include:

- Consumers are driving less.
- Rising levels of uninsured and underinsured motorists, likely due to growing levels of job loss, and the need for consumers to make difficult spending decisions.
- A move among consumers to downsize their homes, and a decline in new home starts.
- Consumer attitudes are changing, and included with this is an emergence of frugality, especially among younger consumers.

Another significant move within the marketplace worthy of special mention centers on the digital trend. More consumers are making a move to online channels, using the Web for a wide range of interactions — from e-mail, search, research and e-commerce all the way to entertainment and social networking,



With more than 75 attendees, the Personal Lines Interest Group seminar "Emerging Trends in Personal Lines Insurance" had a standing-room-only crowd.

especially among younger consumers, who represent a growing population.

These market and consumer changes call on insurers to respond in a variety of ways:

- (1) Companies need to grow their online capabilities for insurance sales in a way that combines the ability of the consumer to complete some, if not all, of the purchase process online, yet retains the ability to work with a live person when needed.
- (2) Marketing plans need to be adjusted to fit a more digital marketplace, and they need to be focused on customer experience and actions.
- (3) Insurers need to provide choices and flexibility that work for consumers who are forced to be more frugal and credit conscious.
- (4) Companies need to continue to find ways to reach tech-savvy consumers, especially as more and more consumers fit this description.

Keeping with the theme of understanding change, our third speaker provided an insightful look at how insurers can leverage an understanding of consumer dynamics to target successful marketing efforts, including the emerging use of social media. **Lorianne Feltz-Upperman, CPCU, CIC, CPIW**, senior vice president of marketing for Erie

Insurance Company, spoke of a three-phased approach that includes research, segmentation and target marketing.

Quantitative and qualitative research should be used to create a customer-centric view that is clearly aimed at customer needs and wants. Insights gained from this research should then be used to establish priorities around how customer needs will be met in a meaningful way. Greater understanding of consumer characteristics and needs provides a platform for segmenting consumer groups, which leads to the

ability to target products, services and marketing in a way that "delights" the various consumer segments.

Several examples were shared that show the value of a targeted consumer approach and how it can differentiate an insurer in the marketplace, leading to a competitive advantage.

Building on the previous speaker's reference to the growing digital trend in the marketplace, Feltz-Upperman placed added emphasis on the rapid emergence of social media and how it can be leveraged to transform how customer relationships are built and managed. The development of a social networking strategy can sometimes be accompanied by challenges. Ultimately, however, the strategy leads to benefits when used effectively. See Table 1.

The information shared by each speaker provided great insight into a variety of emerging trends that are impacting the personal lines industry. They also provided listeners with a key realization — to remain relevant in the marketplace, insurers must maintain a fresh awareness of emerging data and trends and must remain responsive to the changing needs of the customers we serve. ■

Table 1 — Social Networking Strategy

Challenges in Pursuing a Social Networking Strategy

- Delivering business value.
- Overcoming cultural barriers (within the company).
- Ensuring privacy.
- Governing usage.
- Managing personal and professional time.

Benefits of the Use of Social Media

- Improved customer satisfaction.
- Improved company reputation.
- Increase in sales.

(Survey of 500 global top executives by Avanade, September 2008)

(Study by Gartner Inc., March 2008)

Flood Insurance Errors & Omissions Issues

by David A. Thompson, CPCU, AAI, API



David A. Thompson, CPCU, AAI, API, is an instructor with the Florida Association of Insurance Agents (FAIA) in Tallahassee, Fla. He travels extensively throughout the country presenting continuing education seminars.

Recently, I was fortunate enough to listen in on a teleconference dealing with the lessons learned from Hurricane Katrina flood insurance claims. The most interesting part of the teleconference to me was when an attorney who specializes in errors and omissions (E&O) claims outlined some of the more common claims he had encountered as a result of Hurricane Katrina.

Briefly, here is what he mentioned as some of the most frequent errors:

- **Flood Coverage at Minimum Limits.** Many clients purchase only enough coverage to satisfy the lender, yet come claim time they find out that those limits are inadequate to properly cover the loss.



- **No Contents Coverage.**

The Federal Emergency Management Agency (FEMA) Web page indicates that approximately 38 percent of policyholders carry only building coverage and don't carry contents coverage. The Florida Association of Insurance Agents (FAIA) has developed a waiver for this situation, and it is available by contacting me via e-mail at dthompson@faia.com.

- **Flood Policy and Homeowners Policy Limits Don't Match.**

As these two policies renew each year, it's important that regular reviews of

coverage be made to make certain (where appropriate) that limits are adequate on both policies.

- **Failure to Advise of Excess Coverage Availability.**

While case law is far from consistent on this subject, suffice it to say that agencies should offer excess flood coverage that goes above the limits available through the National Flood Insurance Program (NFIP). The FAIA waiver referenced above can also be utilized for this purpose.

- **Incorrect Policy or Incorrect Limits.**

In one specific case, an agent insured a home association consisting of eight buildings. Each building contained eight separate fee-simple townhouses, with each unit separated by solid load-bearing vertical division walls. The agent incorrectly wrote only eight policies at limits of \$250,000, and was unaware that each building actually contained eight separate "single buildings" as defined by NFIP. The agent should have written a total of 64 separate policies at \$250,000 each.

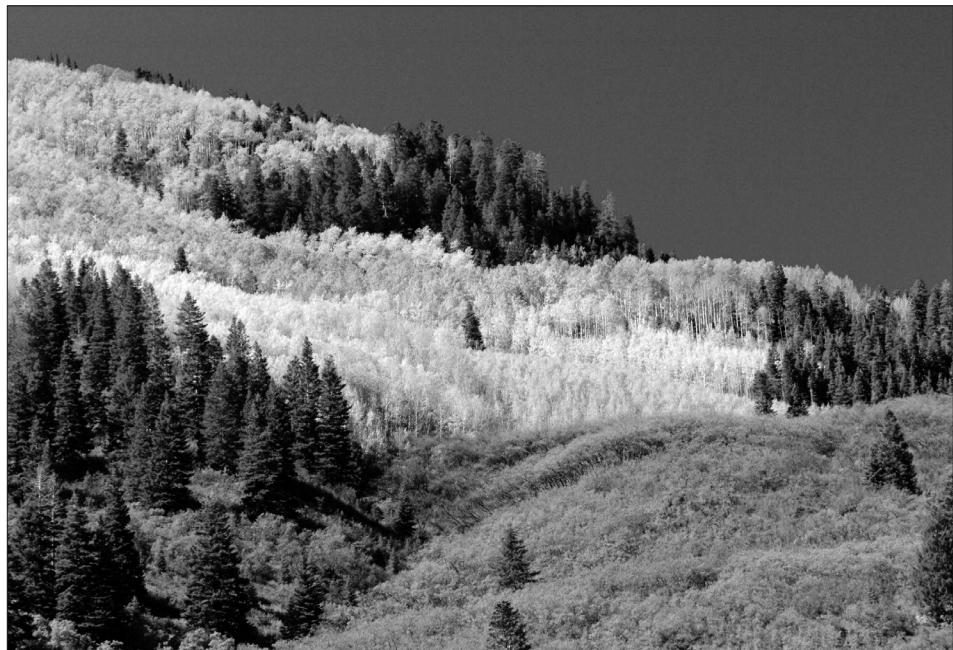
While the possibility of E&O claims can be "scary," there is no need to find the nearest bridge and jump. By being a good practitioner of insurance, knowing the products that are being sold, and properly documenting files, insurance professionals can provide the proper coverage for clients and, at the same time, have a good defense should an E&O claim result. ■

Personal Lines Interest Group Breakfast Meeting

by David A. Halstead Jr., CPCU, ARM, ARe, API



David A. Halstead Jr., CPCU, ARM, ARe, API, graduated from Stetson University with a degree in mathematics; he is currently pursuing a master's in business administration from the University of North Florida. Halstead is a product manager for Kemper® — A Unitrin Business, and helps manage the Midwest region. He has been in insurance for eight years, working in claims, underwriting and product management. Halstead lives in Jacksonville, Fla.



The Personal Lines Interest Group hosted a breakfast meeting at the 2009 CPCU Society Annual Meeting and Seminars, held in Denver, Colo. Our guest speaker was **Bob Wold**, recovery manager for the mitigation and recovery branch of the Colorado Division of Emergency Management (CDEM).

Wold spoke about the recent forest fires, floods and windstorms that have occurred in Colorado. Based on his many years of personal experience in the emergency management arena, he also shared valuable information with attendees on how to best prepare their homes and businesses in order to mitigate losses.

As we all know, preparation and planning can pay positive dividends even in the face of unfortunate circumstances. Having a first-person experience with emergency-type situations, Wold brought to life events that many of us have only read about or have only seen on television.

The Personal Lines Interest Group wishes to thank Bob Wold and the Colorado Division of Emergency Management for their dedication and hard work. ■



Personal Lines Interest Group

Personally Speaking

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

CPCUs Are LinkedIn

***Would you like to stay in closer contact
with fellow CPCUs and at the same time
keep up to date with industry trends and issues?***

Five CPCU Society interest groups are now on LinkedIn, an online networking site that helps professionals interact with one another. LinkedIn also provides valuable connections within affinity groups.

The following interest groups are inviting CPCU Society members to join their LinkedIn groups: International Insurance, Leadership & Managerial Excellence, Personal Lines, Regulatory & Legislative, and Reinsurance.

To join a LinkedIn affinity group, you must first establish a free member account. Log on to www.linkedin.com and follow the directions to join. To find specific CPCU Society groups, go to "Search," choose "Search Groups," type in "CPCU Society" and hit the search button. You will see the five interest groups listed as well as a number of local CPCU Society chapters.

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Personal Lines Interest Group
<http://personallines.cpcusociety.org>

Chair
Richard T. Lang, CPCU, AIM
Bear River Mutual Insurance Co.
E-mail: richard.lang@brmutual.com

Editor
Daniel L. Blodgett, CPCU, AIM, AIS, PMP
State Farm
E-mail: dan.blodgett.cqsx@statefarm.com

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

Director of Program Content and Interest Groups
John Kelly, CPCU, API

Managing Editor
Mary Friedberg

Associate Editor
Carole Roinestad

Design/Production Manager
Joan A. Satchell

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