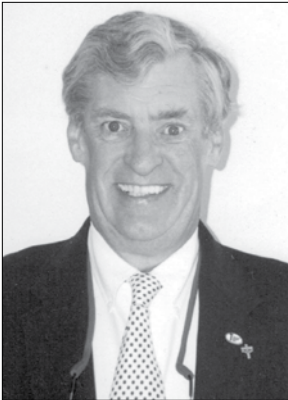


Attention!! Your Spouse Is in Our Prison in Nigeria — Send Money for Her Release!!!!

by Joel H. Monsma, CPCU, ARM



Joel H. Monsma, CPCU, ARM, is president of Monsma and Associates LLC. He has 44 years' experience in the insurance industry, which includes working on both the insurer and agency sides of the business. Monsma participates in numerous committees and organizations, including the CPCU Society's Risk Management Interest Group Committee. He is a member of the CPCU Society's Florida Gold Coast Chapter.

Millions of people receive a disconcerting e-mail with this as a subject line. The e-mail is a scam disguised as an important message from Microsoft, MSN, AOL or Hotmail addresses. So, what's this e-mail really about? Money transfers! The scammers want to scare you into responding immediately — especially if either you are away from home or your spouse is out of town.

How did this happen? A hacker hijacks your e-mail or social-media identity on sites such as Facebook and/or Twitter, and then contacts your e-mail list and/or friends, usually through a private message, status update or chat message. The tip-off is that the message is pretty generic. Scammers don't want to be exposed, so answers to questions are

designed as to not "tip their hand." That's why you or anyone else who asks a specific question that requires definitive answers will find that you won't receive any useful information.

Information That You Should Never Give Out Online

Never, ever give out your Social Security number, bank or credit card account numbers, PIN numbers or any other information that would permit the recipient to access any of your accounts. Credit card companies, banks and/or other financial institutions will **never** send you an e-mail requesting this

Continued on page 2

What's in This Issue

| | |
|--|----|
| Attention!! Your Spouse Is in Our Prison in Nigeria — Send Money for Her Release!!!! | 1 |
| Co-Editor's Note | 3 |
| 2010–2011 Risk Management Interest Group Committee. | 3 |
| Message from the Chair | 4 |
| Workers' Compensation Fraud | 5 |
| Does Extra Expense Cover 'We're Open for Business' Ads after a Loss? | 6 |
| Eloise in Section VI. | 8 |
| Letter to the Editor | 10 |
| CPCU Society Student Program — 'A Great Success!' | 11 |
| Are Collisions by Chance or by Choice? | 13 |
| Say No — Set Your Boundaries, Get More Done | 14 |

Attention!! Your Spouse Is in Our Prison in Nigeria — Send Money for Her Release!!!!

Continued from page 1

information. They don't have to — they already have the information. If the "excuse" is that they want to verify the information — that's bogus too.

How to Protect Your E-Functions Such as Online Banking, E-Accounts

One of the most important things you can do to protect your online security is to be careful about accessing these sensitive functions using a wireless device. Although it may be convenient to do your online banking at the local Starbucks, the level of potential exposure to a privacy breach is very high. Wireless connections can be easily monitored, which gives hackers a virtual open door to access your private information.

Safeguarding your passwords and PIN numbers is also an important step in preventing access to online accounts. Many people use the same username/password for all of their accounts, which is a very dangerous practice.

Watch Out for the Shortened URLs!

URL shorteners, such as Bit.ly or TinyURL.com, are popular ways to share long links on social-media sites. But a shortened URL can hide a link's true destination, sometimes directing users to a malicious website or damaging content. That's where your Internet security system can be worth its weight in gold. Install a URL expander for your browser, which allows you to preview the actual URL of a shortened link before you click. If you do click on a link that takes you to a suspicious site, avoid installing any programs or providing personal information, and make sure your antivirus software is enabled and up to date. A good Internet security system will probably alert you to the danger if you click on a suspicious link. Pay attention to what the alert says!



What to Do Immediately upon Suspicion of a Privacy Breach

If you suspect that an online bank or credit card account has been compromised, contact the bank and/or the credit card company immediately. The sooner you report the possible breach, the better you will position yourself to limit your liability with the financial institution. Generally, the credit card holder is only responsible for \$50 if the card has had unauthorized use. Some credit card companies even waive this fee for longtime customers.

The important message to remember is that your bank and/or credit card issuer cannot act on your behalf unless you alert them. Sometimes a possible breach will be detected by the bank and/or the credit card issuer even before you realize it. You may be contacted by the bank and/or the credit card company, but they will **not** be asking you for your account number! They may, however, be asking you to provide them with the answer to a predesigned security question just to make sure that they are really talking with the account holder.

Conclusion

Anyone who has an e-mail address, website, smart phone, Facebook page, Twitter account, LinkedIn profile or online bank account (or any other type of online access to a financial account) is at risk for a privacy breach. Sounds like everyone is at risk! ■

Co-Editor's Note

by Peg M. Jackson, CPCU, DPA



Peg M. Jackson, CPCU, DPA, author, lecturer and consultant is a leading authority on nonprofit risk management, strategic and contingency planning, and Sarbanes-Oxley compliance. She is a principal with Peg Jackson & Associates in San Francisco, Calif., and Alexandria, Va.

Welcome to 2011! At this time of year, many of us look back on the previous year and wonder what happened to make it disappear so fast! The ancient Romans wondered too — “Tempus fugit,” meaning “time flies.” The Roman god Janus, from which the name of the first month of the year is derived, was the god of gates, doorways and beginnings.

As we begin our new year of work and study, this newsletter presents an array of topics for your consideration and to bring to your clients' attention. One of the benefits of the Risk Management Interest Group newsletter is that it always contains articles relating to issues that your clients deal with on a daily basis, whether that is workers comp fraud, e-mail hacking, setting boundaries

or extra expense considerations. We encourage our readers to make a New Year's resolution to share the newsletter with a valued client. Show them that you are indeed a trusted advisor! ■

2010–2011 Risk Management Interest Group Committee

Chair

Jeffery L. Bronaugh, CPCU, CLU, ChFC, CIC

BBVA Compass Insurance
E-mail: jbron01@live.com

Vice-Chair and Co-Editor

Peg M. Jackson, CPCU, DPA

Peg Jackson & Associates
E-mail: peg@pegjackson.com

Co-Editor

Jane M. Damon, CPCU, MBA, CIC, CPIW

Wells Fargo Insurance Services Inc.
E-mail: jane.damon@wellsfargo.com

Webmaster and Liaison

Michael W. Elliott, CPCU, AIAF

The Institutes
E-mail: elliot@TheInstitutes.org

Edward M. Breight Jr., CPCU, ARP

Safety National Casualty Corp.
E-mail: ed.breight@safetynational.com

S.W. “Bill” DiSalvo, CPCU

State Farm
E-mail: bill.disalvo.b9h1@statefarm.com

Martin J. Frappolli, CPCU, AIS

The Institutes
E-mail: frappolli@TheInstitutes.org

Patricia A. Hannemann, CPCU

E-mail: pah@hoco150.com

Deborah Ann Kerr-Orlik, CPCU

GNW–Evergreen Insurance Services LLC
E-mail: deborah.kerr@gnw-eg.com

Christopher H. Ketcham, CPCU

The Institutes
E-mail: ketcham@TheInstitutes.org

Bruce E. McEwan, CPCU, Ph.D., ARM, AIC, ARP, AU, AMIM, ALCM, AAI

Young Brothers Ltd.
E-mail: bmcewan@htbyb.com

Maureen C. McLendon, CPCU, CPIW, ARM

IRMI
E-mail: maureen.m@irmi.com

Joel H. Monsma, CPCU, ARM

Monsma and Associates LLC
E-mail: joel_monsma@hotmail.com

Stanley Oetken, CPCU, ARM, AIM

CUNA Mutual Group
E-mail: stanoetken@msn.com

Timothy M. Rodriguez, CPCU, ARM

Utah Department of Transportation
E-mail: timrodriguez@utah.gov

Jerome Trupin, CPCU, CLU, ChFC

Trupin Insurance Services
E-mail: jtrupin@aol.com

Liaison

John Kelly, CPCU, ARM

CPCU Society
E-mail: jkelly@cpcusociety.org

Message from the Chair

by Jeffery L. Bronaugh, CPCU, CLU, ChFC, CIC



Jeffery L. Bronaugh, CPCU, CLU, ChFC, CIC, is managing director of the Phoenix office of BBVA Compass Insurance and has more than 30 years' experience in the insurance industry. Prior to moving back to Arizona, he was president of Bank of Hawaii Insurance Services in Honolulu, Hawaii. Bronaugh's background includes technical underwriting, design of insurance contracts, risk management, marketing and sales. He also worked in executive management for a major insurance company before joining the brokerage business.

In every newsletter issue, it seems we extend well deserved "thanks" to our Risk Management Interest Group (RMIG) volunteer team members for the work they have done. And, appropriately, I want to continue to recognize not only our volunteers but also those individuals who go above and beyond the call of duty.

Please take a moment to review the list of RMIG Committee members. Each one provides excellent input and participation at our mid-year planning meetings as well as Annual Meeting events. Simply put, without each of his/her nonstop involvement, our committee would not continue to grow stronger.

In particular, I would like to recognize **Jerome Trupin, CPCU, CLU, ChFC**, as he continues to orchestrate leading-edge seminars for our Annual Meetings. Last year's seminars in Orlando were "sold out" due to the excellent programs Jerry worked tirelessly to prepare.

Peg M. Jackson, CPCU, DPA, not only is RMIG vice-chair and co-editor of our newsletter, but also finds time to provide professional instruction from time to time on CPCU Society webinars. **Jane M. Damon, CPCU, MBA, CIC, CPIW**, continues to be our newsletter co-chair and mentor, and publishes timely and worthwhile articles. I also want to acknowledge and recognize **Michael W. Elliott, CPCU, AIAF**, our webmaster and liaison at The Institutes. Mike, a senior director of knowledge resources, is always available for assistance and coaching.

Participating behind the scenes, but ever involved, are the rest of our committee members, who continue to support our mission. I would like to extend a special "thank you" for their continued support and participation.

I am also pleased to announce the recent addition of **Bruce E. McEwan, CPCU, Ph.D., ARM, AIC, ARP, AU, AMIM, ALCM, AAI**, to the RMIG Committee. Bruce is the risk manager for Young

Brothers Tug & Barge in Honolulu, Hawaii. He brings extensive experience and knowledge to the team.

As always, I put on the recruiting hat to every CPCU who would like to be a part of our team and encourage you to reach out to any one of our RMIG Committee members on how to join the group. We look forward to another successful year in 2011 and would like you to be a part of it.

Best wishes for a prosperous and successful new year. ■

Workers' Compensation Fraud

by Glatfelter Public Practice Risk Control

Editor's note: This article was published by NYS Public Entities Safety Group 497 in its August 2010 monthly newsletter *Safety Agenda*. It is reprinted with permission of Glatfelter Public Practice Risk Control. All rights reserved. Visit www.nysgroup497.com for additional information.

One potentially significant source of fraudulent workers' compensation (WC) claims comes from injuries that should rightly be taken care of through the employee's health insurance. The vast majority of employees are honest people who just want to have WC indemnify them for medical bills and lost wages caused by injuries that have occurred on the job. However, one out of five responders to a survey by the Insurance Research Council said that they were aware of WC fraud in their workplace.

Sometimes an employee will deliberately file an injury claim as work-related rather than have the claim paid by his/her (group) health plan. From this employee's viewpoint, WC is more lucrative than health insurance. WC pays a portion of lost wages; it has the potential to pay better long-term disability payments and a permanent disability settlement, and the employee may not have to use accumulated sick leave. The receipt of nontaxable indemnity (wage replacement) checks, even at a reduced WC rate, is a powerful incentive for the most honest employee to file a WC claim that should have been a health insurance claim.

In fact, the most common type of WC fraud occurs when employees file claims for injuries that did not arise out of or in the course of employment. The employee may have been injured over the weekend or may claim an injury from performing duties outside the job description. Managers need to pay attention to injuries that occur right after employees come to work, especially on Mondays. They should not be treated as routine; they should be investigated and documented immediately. The employee's

statement and the statements of the witnesses should be taken immediately. Be wary of the injury that occurred without any witnesses. Pin down the time of the injury and other details. Inspect the location of the injury, equipment and conditions, and take pictures.

It takes time for trauma to cause the skin to turn black and blue and to swell up. If these conditions are present, there is a good chance the coloration, swelling and bruising happened sometime before the workday started.

Pay special attention to these types of injuries when they are not clearly caused by a work-related accident:

- Back injuries.
- Knee injuries.
- Strains and sprains of ankles or elbows.
- Shoulder injuries to the rotator cuff.
- Carpal tunnel syndrome.

Fraud Prevention Strategies

- (1) Analyze the data from WC and group health claims. Identify the types of injuries that occur both on and off the job and set up training programs that help employees avoid those injuries.
- (2) Pay attention to your hiring procedures. Learn as much as possible about prospective employees while complying with the Americans with Disabilities Act.
- (3) Make all job offers contingent upon a medical examination and history. Require that this be completed and evaluated before the new employee assumes his duties.
- (4) Develop an accident/injury form and use it consistently to record the employee's statement about how the injury happened. Make sure that all the details are there and that the employee signs the statement.

- (5) Require the immediate reporting of any and all work-related injuries subject to disciplinary action (for failure to report, not for being injured).
- (6) In addition to the completed employee accident report, keep printed e-mails and records of telephone conversations with injured employees. Record the date, time and content. People who file false claims often give inconsistent descriptions of how the injury occurred.
- (7) Contact your insurance company claims representative immediately.
- (8) Partner with the claims representative to investigate all claims. If you suspect fraud, tell your claims case manager right away. The earlier the case manager is involved with the case, the better the chances of proving fraud. Your suspicions, as well as anecdotal information, may make a big difference in the outcome of the investigation.
- (9) Educate your employees about the perils of fraudulently claiming or inflating WC claims. Explain that it's a crime that can lead to termination and possible legal prosecution.
- (10) Encourage employees to report fraud through anonymous reporting.
- (11) Be on the lookout for early warning signs — employees whose relatives received a WC settlement, employees with financial hardships and employees who are unhappy with their jobs.
- (12) However, don't let your vigilance destroy your good relationships with your employees. Demonstrate your compassion for all injured employees, whether their injuries are work-related or not. ■

Does Extra Expense Cover ‘We’re Open for Business’ Ads after a Loss?

by Jerome Trupin, CPCU, CLU, ChFC



Jerome Trupin, CPCU, CLU, ChFC, is a partner in Trupin Insurance Services, located in Briarcliff Manor, N.Y. As an “outsourced risk manager,” he provides property-casualty insurance consulting advice to commercial, nonprofit and governmental entities. Trupin regularly writes articles on insurance topics for industry publications and is the co-author of several insurance textbooks. Trupin has been an expert witness in numerous cases. He can be reached at cpcuwest@aol.com.

A raging fire destroyed an upscale restaurant in a suburban town. After six months, with the restoration just about complete, the owner plans to spend \$300,000 publicizing its reopening. His agent wants to know if the Business Income And Extra Expense form CP 0030 provides coverage for this expense. He also wonders if the insured would be better served in the future by the Extra Expense form CP 0050 instead of CP 0030.¹

Is CP 0050 a Better Choice?

The second part of the question is clear cut, so let’s settle it first. Extra expense is a

separate coverage in the Business Income (And Extra Expense) form CP 0030. It’s identical to coverage provided by Extra Expense form CP 0050. While the wording is the same, there are advantages for the BI & EE CP 0030 form.

Both forms will pay for necessary expenses to:

- (1) Avoid or minimize the “suspension” of business and to continue operations at the described premises or at replacement premises or temporary locations, including relocation expenses and costs to equip and operate the replacement location or temporary location.
- (2) Minimize the “suspension” of business if you cannot continue “operations.”

These expenses will be covered whether or not the expenditures reduce the loss under the policy.

In addition, both forms provide coverage to:

... [P]ay Extra Expense to repair or replace property, but only to the extent it reduces the amount of loss that otherwise would have been payable under this Coverage Form.

Here’s where one of the CP 0030’s advantages comes in: The loss that may be reduced under CP 0030 is both business income and extra expense. Under CP 0050, it’s just extra expense. More important, extra expense isn’t part of the coinsurance calculation, so the insured need only add the maximum extra expense amount to its maximum probable business income loss to set the limit for CP 0030.

If an insured wants only extra expense coverage, it need not purchase an amount of insurance that satisfies the BI

coinsurance clause because coinsurance does not apply to extra expense. The underwriter might object to providing an amount of insurance so clearly below the business income coinsurance requirement; in that event, look at the Monthly Limit of Indemnity option in the CP 0030 form. Extra expense is available under that option up to the full amount of insurance purchased, and coinsurance does not apply to either business income or extra expense.

A further drawback of the CP 0050 is the “40%-80%-100%” restriction on extra expense payments. That is, if the period of restoration is 30 days or less, only the first percentage times the loss is available. Less than 61 days, but more than 30 days, the second percentage applies and more than 60 days, the third percentage applies. You can change or eliminate the percentages, but that results in an increased rate. The CP 0030 has no such restriction.

And don’t forget the CP 0030 business income coverage. Even though many enterprises, for example a hospital, may say that they will keep operating no matter what and therefore they only need extra expense coverage, never say never! Damage can be so extensive that continuing full operations is impossible.

The clincher is: For the same amount of insurance, CP 0030 is almost always less expensive than CP 0050. You can’t beat the CP 0030 combination of better coverage and lower price.

Is the \$300,000 Ad Expense Covered?

Whether the \$300,000 advertising expense is covered is more problematic. Let’s assume that the \$300,000 would be considerably higher than the insured’s normal advertising budget. If it isn’t, it’s not an extra expense because extra expense is defined as expense the insured would not have incurred had there been no loss.



Several policy provisions come into play. First, extra expense coverage is limited to expenses incurred during the period of restoration, which ends on the earlier of:

- The date when the property should be repaired, rebuilt or replaced with reasonable speed and similar quality, or
- The date when business is resumed at a new permanent location.

Therefore, expenses for ads run after the end of the period of restoration may not be covered. (You'll see why I say "may" in a moment.)

Second, the policy requires that the extra expense be "necessary." Necessary isn't defined in the policy, so its normal meaning would apply. One dictionary definition of necessary includes: "Needed to achieve a certain result or effect."² Using that definition, advertising expense during the period of restoration announcing that a firm is open for business or that it is conducting business at another location would be covered as a means to achieve the results set out in coverages (1) and (2) in our discussion of CP 0030 versus CP0050.

What about advertising to publicize the re-opening of business? Extra expense coverage applies to expenses to avoid

or minimize "suspension." (Again, see coverage definitions in (1) and (2) above.) "Suspension" is defined as the slowdown or cessation of business activities. Reopening ads seek to combat slowdown of business activities. Therefore, there should be coverage for necessary ads run *prior* to the end of the period of restoration.

An argument can be made for some coverage for business-rebuilding advertising expense incurred after the end of the period of restoration. The loss determination provision of the CP 0030 form states that extra expense will be determined based on two items. The second item is "necessary expenses that reduce the business income loss that otherwise would have been incurred."

The CP 0030 form includes extended business income, which provides business income coverage for up to 30 days after the property has actually been restored and operations resumed. (The time limit can be increased to as much as 720 days; businesses that will need time to rebuild business after an interruption should look at the increased coverage.) If the insured can show that the advertising expense incurred after the end of the period of restoration reduced the business income loss under the extended business income

coverage, it would be entitled to collect an amount equal to the reduction.

Learning Points: (1) CP 0030 is almost always a better buy than CP 0050, and (2) Many insureds should consider increasing the 30-day extended business income time limit. ■

Endnotes

- (1) This question comes from IIABA's Virtual University (VU) bi-weekly newsletter. The newsletter includes answers to commercial and personal coverage questions from agents, which can be read at no charge by anyone. See <http://www.iiaba.net/VU/NonMember/newsletter.htm>.

Each issue of the newsletter contains articles on: (1) personal lines coverages, (2) commercial lines coverages, (3) agency management, (4) sales and marketing, (5) customer service and (6) technology and the Internet. IIABA members and paid subscribers can access a wealth of other helpful material. VU director, William "Bill" C. Wilson Jr., CPCU, ARM, AIM, does a terrific job with the newsletter. Every insurance professional should read it.

- (2) *The American Heritage® Dictionary of the English Language*, 4th edition Copyright © 2010 by Houghton Mifflin Harcourt Publishing Company. Published by Houghton Mifflin Harcourt Publishing Company. <http://www.yourdictionary.com/necessary>.

Eloise in Section VI

by Peg M. Jackson, CPCU, DPA

As the co-editor of the Risk Management Interest Group (RMIG) newsletter, I get e-mails from colleagues in CPCU chapters. Because the newsletter is intended as an informational and educational resource, the questions and comments I receive can be shaped into, hopefully, an enlightening means for better chapter governance.

Recently, I received an e-mail from Eloise, who is the treasurer of a chapter somewhere out there. She likes to keep up to date on nonprofit management and governance issues and, happily, is a fan of my books on nonprofit risk management. Eloise asked for assistance in working with her chapter board that, unfortunately, isn't as informed on these matters as Eloise. The president of the chapter doesn't want to be "handcuffed" to an annual budget, nor does the rest of the board want to comply with Section VI of the IRS 990 because it files an IRS 990-EZ.

Expectations for nonprofit governance began to change in 2003 following the Senate Finance Committee hearings on nonprofit reform. The Senate Finance Committee June 22, 2004, hearings on Charitable Giving Problems and Best Practices, along with the highlights of recent California "Sarbanes-Oxley clone" legislation (SB1262), signed into law on Sept. 29, 2004, put a new nonprofit governance paradigm into place. The common theme of the testimony of witnesses at the Senate hearings, the Congressional staff papers and the California "Nonprofit Integrity Act" (SB1262) is that nonprofit organizations have, through fiscal and governance abuses, diminished public trust.

In response to the Grassley hearings in 2003 and 2004, the Bush Administration allocated increased funding for the IRS to enhance scrutiny and enforcement within the nonprofit world. This heightened scrutiny was reflected in the new IRS 990, which contains a segment on nonprofit governance — Section VI. In Section VI, nonprofits are required to answer questions on the policies and procedures

within the nonprofit's board and governance operations. The IRS stipulated in its website's FAQ section on the new IRS 990 that all organizations are required to complete Part VI and answer all of its questions regarding an organization's governance policies and practices, the expectation being that these policies and procedures were in place.

What Are the Questions and Requirements from Section VI?

Section VI of the new IRS 990 requires boards to have:

- **A whistleblower protection policy in place and enforced.** Policies and procedures on whistleblower protection should contain at least the following features:
 - ◆ A confidential avenue for reporting suspected waste, fraud and abuse.
 - ◆ A process to thoroughly investigate any reports.
 - ◆ A process for disseminating the findings from the investigation.
 - ◆ The employee filing the complaint will not be subjected to termination, firing, harassment or miss out on promotion.
 - ◆ Even if the findings do not support the nature of the complaint, the employee or volunteer who made the complaint will not face any repercussions.
 - ◆ All employees and volunteers should have a copy of the whistleblower policy, and it should be posted in clear view. This policy should also be covered in any orientation or training programs the



organization offers its employees and volunteers.

- **A document preservation policy which contains a prohibition against destroying documents during an investigation or litigation.** Document storage and retention is another area within Sarbanes-Oxley (SOX) that applies to all organizations. An important part of this requirement is to institute a policy that prohibits destruction of documents during an inquiry or legal action. *This requirement needs to be tailored to address both paper files and electronic files.*

Policies on document preservation should be developed by the board and senior management. There needs to be a statement developed by senior management that describes what the document retention policy is and why it is required by law. It is important that the staff and volunteers understand that document preservation is a requirement of SOX and that this requirement applies to all businesses and nonprofits. The

policy should also describe the new procedures and the deliverables that the board expects. Expectations of individual performance as well as consequences (for individual employees and volunteers) for failing to adhere to the new procedures need to be specified.

- **Audit Committee.**

Nonprofit boards need to have a separate audit committee that includes at least one board member who is a financial expert. The audit committee must ensure that auditors are not also engaging in additional services, such as consulting, for the nonprofit. The committee is also responsible for ensuring that either the auditing firm is rotated every three to five years or that the lead auditor is rotated off the nonprofit's audit every three to five years.

- **Financial Literacy.**

Members of the board need to review the IRS 990 before it is submitted. There also must be rigorous review of financial statements and transactions — financial literacy for all board members means that the nonprofit may need to establish a training program to ensure that all members of the board understand how to read and interpret financial reports. The board must vote on an annual budget.

- **Code of Ethics for Board.**

The board needs to adopt a policy strictly prohibiting personal loans to any director or officer and an HR policy that prohibits lending money to other board members or staff, as some chapters have paid administrative staff. No exceptions should ever be made to these policies.

- **Conflict of Interest Policy.**

Why is not disclosing a conflict of interest a violation of this legal standard? Contrary to what many nonprofit board members believe, disclosing that you may have a potential conflict of interest is not a crime against humanity! A conflict

of interest is simply that — the situation can, if ignored, establish conflicting interests between the board member and the nonprofit. The individual board member is not “guilty” of anything by disclosing that she/he has a potential conflict of interest. Actually, this type of disclosure is something to be applauded. The important next step is to have the potential conflict of interest documented via a “Conflict of Interest Statement” that all board members should submit on an annual basis or in the event that the board member learns of a potential conflict of interest.

What's the Bottom Line?

Every CPCU chapter needs to have the following items in place — every year:

- A balanced budget.
- A code of ethics.
- Conflict of interest policy — members of the board need to sign a letter of disclosure every year. The letters are kept on file.
- Audit or financial review — every year.
- Whistleblower protection policy.
- Document retention and destruction management system.
- The board reviews and approves the IRS 990 prior to submission.
- IRS 990 is submitted on time every year — no exceptions!

So, Eloise, tell your chapter board that *it doesn't matter if the chapter files an IRS 990-EZ!* The chapter has an obligation to the CPCU Society to operate in a fashion that does not create a liability for the organization at large. *This means that the expectations in Section VI must be fulfilled.* While you're at it, sign them up for the Risk Management Interest Group newsletter! ■

Letter to the Editor

Dear Editor,

Although this may be ancient history, I am writing to comment on the article “Four Commercial Auto Endorsements Every Insured Should Consider,” published in the February 2010 issue of the Risk Management Interest Group newsletter. While I agree with the author of the article, I contend that the list of endorsements should also include the Employee Hired Auto Endorsement (CA 20 54) if at any time an employee may have occasion to rent a vehicle for business purposes.

The endorsement amends the policy’s liability coverage “who is an insured” provision, and also amends the “other insurance” provision as respects physical damage coverage.

The unmodified “who is an insured” clause, in part, includes as an insured:

- You (the named insured employer) for any covered auto.
- Anyone else while using with your (the named insured’s) permission a covered auto you (the named insured) owns, hires or borrows [with some exceptions not pertinent to the subject at hand].

The endorsement adds the following:

An employee of yours is an insured while operating an auto hired or rented under a contract or agreement in the employee’s name, with your permission, while performing duties related to the conduct of your business.

Before this endorsement became available in 1999, the advice of some insurance practitioners — to get around the technicality that it would be the employee, and not the named insured employer actually renting the vehicle — was for the employee to rent the vehicle in the employer’s name. Of course, autos are rented to individuals, who are required to present their driver’s licenses in the process; and even if the individual is using the employer’s corporate credit card, there is no guarantee that this action would be sufficient to include the employee as an insured under the policy. The endorsement addresses that issue.

In addition to liability coverage, the endorsement also provides protection for physical damage on a primary basis for hired autos that are leased, hired, rented or borrowed without drivers. That is, if the policy provides hired auto physical damage coverage (symbol 8), the following autos are deemed to be covered autos the named insured owns:

- Any covered auto you lease, hire, rent or borrow; and
- Any covered auto hired or rented by your employee under a contract in that individual employee’s name with your permission while performing duties related to the conduct of your business.

However, any auto that is leased, hired, rented or borrowed with a driver is not a covered auto.

Let’s assume that John Doe is a salesman for ABC Corporation and travels to Miami, Fla., on a business trip. ABC Corporation has a business auto policy with a symbol 8 for physical damage and a symbol 1 for liability. While in Miami, John rents a car (without a driver) to make several sales calls. The car rental company requires that John rent the vehicle in his own name, which he does. John negligently causes an accident in this vehicle. With the attachment of CA 20 54, ABC’s policy clearly will provide protection for John personally (as an “insured”) as well as for the corporation. Without the CA 20 54, the insurer might only provide protection for ABC; and if John had been sued individually, he might have to rely on his own personal auto policy (if any existed) for protection.

Let’s now assume that John completes his business trip on Friday afternoon but decides to keep the car and drive to Key West for pleasure over the weekend. If he has an accident on Saturday, the commercial auto policy probably would not afford protection as the endorsement clearly states that this coverage only applies while the employee is performing duties related to the business.

Maureen C. McLendon, CPCU, CPIW, ARM
Senior Research Analyst
International Risk Management Institute Inc. (IRMI)
Dallas, Texas



CPCU Society Student Program — ‘A Great Success’!

by Lamont D. Boyd, CPCU, AIM



Lamont D. Boyd, CPCU, AIM, director, insurance scoring solutions, with Fair Isaac Corporation (FICO), is responsible for client and partnership opportunities that make use of FICO's credit-based insurance scoring and property risk scoring products and services. Working with more than 300 insurance clients throughout the U.S. and Canada and speaking regularly to industry and consumer groups, Boyd is recognized as one of the industry's leading experts in predictive scoring technology. Previously, he served 19 years in underwriting and sales management with a major property-casualty insurer.

Editor's note: This article originally appeared in the CPCU Society's October 2010 Personal Lines Interest Group newsletter.

Given the number of comments we received during and following the 2010 CPCU Society Annual Meeting and Seminars, it's clear the CPCU Society 2010 Student Program was a "great success"! Such a success, in fact, that the Student Program will continue — and with the projected number of students joining us for the 2011 Annual Meeting and Seminars in Las Vegas significantly higher.

Here follows four very good examples of how the Student Program was received:

Douglas J. Holtz, CPCU, CIC, CSP, CRM, 2010–2011 CPCU Society immediate past president and chairman, offered the following observations and expressed his appreciation to all who contributed in making this program successful:

"I was so impressed with the caliber of the students who joined us at the Annual Meeting in Orlando. They are a very bright and dedicated group of students who have gained tremendous insight into our business, the CPCU Society and all this wonderful industry has to offer. I'm thrilled with the response we received from the students, the chapters who financially assisted them with their travel expenses and our Board of Directors who supported their registration fees."

Warren L. Farrar, CPCU, CLU, ChFC, 2010–2011 CPCU Society president and chairman, shared his thoughts also:

"To me, these young people represent our future. I met and had discussions with many of the students in Orlando, and was amazed by their enthusiasm and genuine interest in careers in insurance. They all had great things to say about the Student Program and especially appreciated having mentors with whom they could connect for guidance and counsel."

Veronica Fouad, St. John's University, echoed the sentiments of her fellow students:

"I want to thank you for providing me with the opportunity to attend the CPCU Society Annual Meeting and Seminars. I had a wonderful time, and I have truly realized the importance of obtaining my CPCU designation. I would have to say that after this experience, I am a lot

more serious about obtaining my CPCU in a very timely fashion. I met several great industry professionals, and I am inspired by the values they represent. I am also appreciative and fascinated by the support that this industry provides to its students. Please send my thanks to all of those CPCU chapters and sponsors who helped fund students at this Annual Meeting."

Jonathan Howard, University of North Carolina–Charlotte, shared these kind thoughts:

"Thank you for taking the time to help us young emerging professionals in the insurance and risk management industries. I greatly appreciate your leadership in providing this wonderful opportunity to me and other students to attend this wonderful CPCU Society Annual Meeting and Seminars in Orlando. Thank you for coordinating all the efforts between mentors and students, roommates, committees, resource funding, hotel reservations for students and so much more. I believe that this was a great personal success as well as a success in recruiting bright young talent from universities across the country."

You may be aware that we also developed a very unique "student-focused" seminar — "A Look into the Future" — for the Orlando Annual Meeting, one that highlighted the property-casualty insurance industry's need for the "best and brightest" now and in the future. This seminar was specifically designed to help risk management and insurance students, as well as new designees, understand more fully the variety of paths available to them in the property-casualty insurance industry.

The seminar not only provided the unique perspective of students working

Continued on page 12

CPCU Society Student Program — ‘A Great Success’!

Continued from page 11

toward risk management and insurance careers, but also provided attendees with a clear understanding of the value of the CPCU designation in helping them on their chosen path.

As seminar presenters, 2010 Student Program Committee Leader **Stacey Hinterlong**, Illinois State University, and **Ryan Rolfs**, Florida State University, offered their suggestions for pursuing a successful career in the insurance industry — and shared their own student and industry internship experiences.

Lynn M. Davenport, CPCU, AIC, AIM, with State Farm, and **Dave Newell**, with the Florida Association of Independent Agents (FAIA), offered excellent examples of successful industry representatives and highlighted industry and educational opportunities that can be pursued.

Our hope is that all students, new designees and industry veterans walked away from this seminar with great ideas and a clear understanding of what is needed to grow our industry through the development of talented individuals.

The CPCU Society is uniquely positioned, in large part due to the direction and support provided by CPCU chapter and interest group leaders, to offer a bridge between those who are seeking a rewarding future in the industry and those who are seeking people to contribute to a successful future.

A final note: Many thanks to all who contributed in so many ways to the success of our 2010 CPCU Society Student Program. Since another “great success” is fully expected for 2011, please don’t hesitate to contact me by e-mail at lamontboyd@fico.com with any thoughts you may have, or assistance you’re willing to offer, to help us attract bright, young minds to the insurance industry through the CPCU Society. ■



Twenty-five (25) students from some of the nation’s leading universities and colleges joined us in Orlando, networking with industry leaders from a wide variety of CPCU Society chapters and interest groups. We took the opportunity to photograph some of the students during the CPCU Society’s Diversity Reception.

Front row, from left, Donita Stevens, Temple University; Danielle Bastian, Olivet College; Samantha Reed, University of North Texas; Cassandra Wilcox, University of North Texas

Middle row, from left, Stacey Hinterlong, Illinois State University (Student Program Committee Leader); Carlie Peniston, St. John’s University; Veronica Fouad, St. John’s University; Brenae Robinson, Florida State University; Miranda Fouad, Rutgers University; Kelsie Griffin, Illinois State University.

Back row, from left, Douglas J. Holtz, CPCU, CIC, CSP, CRM, 2010–2011 CPCU Society immediate past president and chairman; Daniel Bean, Georgia State University; Michael Lungo, Florida State University; Josh Spencer, Ball State University; Ryan Rolfs, Florida State University; Casey Koontz, Illinois State University; Seve South, Ball State University; Luigi Biele, Rutgers University; Lamont D. Boyd, CPCU, AIM, the Society’s Student Program director.

Participating students missing from photo: David Adams, New Mexico State University; Peter Curnin, Appalachian State University; Jonathan Howard, University of North Carolina-Charlotte; Hio Lam (Yoyo) Lao, University of Illinois; Nathan Mitzner, Southern Methodist University; Kanwar Singh, Virginia Commonwealth University; Stephen Walton, New Mexico State University; and Christopher Wexler, Appalachian State University.

Are Collisions by Chance or by Choice?

by Paul Farrell

Paul Farrell is the CEO of SafetyFirst, a team of experts from the transportation, insurance and software industries that specialize in reducing commercial auto collisions through management information systems and programs. The company provides solutions in partnership with insurance carriers and transportation firms. More information can be found at www.safetyfirst.com

Editor's note: This article was published originally on the author's Sept. 2, 2010, "Safety Is My Goal's Blog," and is reprinted with permission.

Outside my office window is a three-lane divided highway with service road access. The county police constantly run a ticket sweep for people entering the service road without stopping. Two police officers can "work" two cars each on a continual basis through their shift. The county police always set up in the same, exact spot and always mid-week. Despite their predictability, they never fail to catch a bunch of motorists (and commercial drivers, too).

People rolling through the stop sign come in two types: compliant "give me the ticket" types and ones who argue. Both consistently get tickets — arguing simply slows down the process.

This behavior (rolling through stop signs) represents a **choice**, whether

the police are present on that day is a **chance** occurrence. Texting while driving represents a **choice**, plowing into the back of a stopped truck while texting (an unfortunate but likely outcome) is a **chance** occurrence — many texters justify their **choice** by the fact that they haven't been in the wrong place at the wrong time ... yet.

There are a lot of "choice not chance" behaviors in traffic safety: drinking and driving; youth drivers with a boatload of friends "egging them on" to drive like idiots; aggressive driving — letting your emotions control your driving to the point of recklessness; driving while "in-text-icated" or YWD ("Yakking While Driving"); speeding; tailgating; failure to use signals; passing with inadequate clearance; running "yellow-orange-red" lights at intersections and much more.

It got me thinking about the "causes" of collisions. We know that the driver's action, attitude and choices are strong contributory factors in 90 percent (or more) of the collisions reported annually. However, I don't think I know anyone who'd be willing to argue that drivers choose to be involved in a collision. At the same time, I don't think they would defend the idea that collisions happen by pure chance either.

In a manufacturing plant, we don't have this discussion. Either the machine malfunctioned, was set up incorrectly or the injured employee failed to follow a procedure. A much more "binary" solution (it had to be X or Y), there's no range of possible explanations. Why is it (apparently) different on the highway?

I've heard a few safety managers use the phrase "It was outside the driver's

control" to defend the driver's involvement in the collision.

What could be outside the driver's control? I'd be willing to consider items like internal (invisible) defects in a tire that led to a blowout, sudden mechanical failure of an axle or steering linkage, invisible "black ice" and things happening beyond the driver's sight line (around the corner, hidden by a view block). But we know from experience and statistics that these don't account for too many collisions. Most are avoidable and preventable.

I think that the "outside the driver's control" issue could be better expressed this way: The driver chose certain behaviors and chance intervened to make conditions perfect for a tragic outcome. Had conditions (chance) been different that day, the "bad" choices wouldn't have led to a crash; therefore, it was chance's fault, not the driver's.

A colleague sent me a link of a police officer's video message (<http://www.youtube.com/watch?v=dNYLEEQQzDE&feature=channel>) about a drunk driver who made a **choice** to get in her car and drive while impaired. The resulting collision killed the officer's mother. It wasn't a **chance** occurrence — it was completely preventable because the collision was from a choice that had been made earlier in the evening.

Traffic safety is *every* driver's responsibility. A wise person would choose to learn from past mistakes and improve his or her performance after receiving coaching from an advisor. (*We reduce the chance of a collision by choosing to drive correctly.*)

We need to be held responsible for our own choices, and we need to learn to make better choices regardless of how "lucky" we've been in the past. ■



Say No — Set Your Boundaries, Get More Done

by Marsha D. Egan, CPCU, CPIW, PCC



Marsha D. Egan, CPCU, CPIW, PCC, is CEO of The Egan Group Inc., an executive coaching firm. An International Coach Federation Certified Coach, Egan brings more than 25 years of corporate and volunteer leadership experience to her individual and organizational clients. A sought-after internationally recognized professional speaker who has appeared on countless television and radio shows and in magazines, her keynote addresses, seminars, teleseminars and webinars energize audiences to change and achieve greater success. Egan was the 1999–2000 president of the CPCU Society.

Editor's note: This article is reprinted with permission. © Marsha D. Egan, CPCU, CPIW, PCC, CEO, of The Egan Group Inc. All rights reserved. Egan may be contacted at marsha@marshaegan.com.

Feel like you're on a treadmill that will never stop? Too much to do? Too much to get done?

Just as with how the overlap between our work and our home lives has become blurred and technology has connected us to people and tasks around the clock, we could all be working 24/7 and feel overwhelmed. How can we get it all done?

You're not alone. Millions of Americans are frustrated with their growing to-do lists and their constant connectivity in their seeming inability to get anything accomplished.

On top of that, a lot of us try to do everything for everyone else. We care. We want to help. We want to nurture. We are not only overwhelmed with our own action lists, but others around us have given us theirs!

Boundaries to the rescue!

In the current environment, we all need to set boundaries. By setting clear boundaries at work, and at home, we are enabling ourselves to find the balance that will actually provide energy to each aspect of our lives. Setting boundaries will enable us to get the important stuff done.

The first step in this process is to decide what boundaries are important to you. As an example, if you need that lunch hour to relax and rejuvenate, then one of your boundaries might be that you do not schedule meetings in that time. Another example could be that you don't want to take business calls at home after a certain hour, other than for emergencies. The more clear you are on

your boundaries, the better you will be able to communicate them to others.

When I was in corporate America, I used the first half-hour of the workday to plan my day and get organized. One of my coworkers continually stopped in my office during that time — usually with a great idea she had come up with the evening before. I found that missing that planning time set me back more than I wanted. After I communicated my desire to have privacy for just the first 30 minutes of the day, it worked for everyone. She still came in with her great ideas, but *after* 8:30.

The boundaries you set depend on your list of priorities and your values. Each of us has different priorities and values, so boundaries will differ. Many times, the boundaries you set will be those around activities that are not on that priority list. Boundaries relate to protecting what is truly important.

As an example, one of your values may be that you don't gossip. Yet, you may find yourself in a situation either on personal time or on work time when someone is trying to engage you in sharing detrimental information about another person. By acknowledging to yourself that engaging in that discussion would be crossing one of your boundaries, it gives you strength to not participate.



Another area where boundaries can be challenged is when someone asks you to do work that is clearly not in your job responsibilities. Even though your employer may have already defined those boundaries, many coworkers have a difficult time saying no to requests from others who seek their help. It is important for you to look at your ability to get your own work done relative to your need or desire to help the others around you — because it can throw you out of balance. We're not saying that you shouldn't help people on occasion, but when it becomes a significant infringement on your own job, you may need to revisit your boundaries.

Once you set your boundaries, it is helpful to let people know what they are. This can be easily done through conversation and respectful dialogue. You don't need to send out an official memo to let people know that you turn your Blackberry off at 6 p.m. but that if it is an emergency to please call. Instead, you can nicely let them know that you check your e-mail until 6 p.m.

You don't need to send out an official memo to let people know that you turn your Blackberry off at 6 p.m. but that if it is an emergency to please call.

Recently, one of my clients shared that a friend wanted to meet with her some evening or weekend to show her a new cosmetic product. When my client explained that she reserves her evenings and weekends for her family, they settled on a breakfast meeting that worked well for both.

Flexibility is important, especially when setting boundaries around work. Just because you set the boundaries doesn't mean that on an exceptional basis you won't change them. By keeping your employer's goals and yours present, you can usually work out an arrangement that is beneficial to both. Being too rigid about

your boundaries, especially at work, could be career limiting.

The important part of honoring your boundaries is to be clear about what they are. Knowing your priorities and values, and honoring them, will help you conquer some of the overload or "overwhelm" you may be experiencing. ■



Risk Management Interest Group

Volume 28 • Number 1 • January 2011

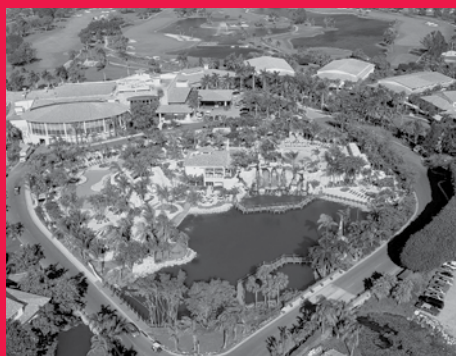
CPCU Society
720 Providence Road
Malvern, PA 19355
www.cpcusociety.org

Address Service Requested

Make a Splash in Miami

CPCU Society 2011 Leadership Summit

April 14–16, 2011
The Doral
Miami, Fla.



Step up to new levels of leadership and maximize your ability to deliver great results. You'll have the opportunity to attend exceptional CPCU Society Center for Leadership courses, chapter and interest group workshops, breakfast and luncheon programs, and networking events.

Register online today by logging on to the CPCU Society website, www.cpcusociety.org. And follow Society posts on Facebook and tweets on Twitter (#CPCU11) for ongoing updated information.

Questions? Contact the Member Resource Center at (800) 932-CPCU (2728) or e-mail membercenter@cpcusociety.org.

The Risk Management Interest Group newsletter is published by the Risk Management Interest Group of the CPCU Society.

Risk Management Interest Group

<http://riskmanagement.cpcusociety.org>

Chair

Jeffery L. Bronaugh, CPCU, CLU, ChFC, CIC
BBVA Compass Insurance
E-mail: jbron01@live.com

Vice-Chair and Co-Editor

Peg M. Jackson, CPCU, DPA
Peg Jackson & Associates
E-mail: peg@pegjackson.com

Co-Editor

Jane M. Damon, CPCU, MBA, CIC, CPIW
Wells Fargo Insurance Services Inc.
E-mail: jane.damon@wellsfargo.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, ARM

Managing Editor

Mary Friedberg

Associate Editor

Carole Roinestad

Production Manager/Design

Joan A. Satchell

Statements of fact and opinion are the responsibility of the authors alone and do not imply an opinion on the part of officers, individual members, or staff of the CPCU Society.

© 2011 CPCU Society

