

Underwriting Trends



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Chairman's Message

by J. Brian Murphy, CPCU, ARM, ARe, AMIM



J. Brian Murphy, CPCU, ARM, ARe, AMIM, is vice president of reinsurance for Brokers' Risk Placement Service, a managing general underwriter and reinsurance intermediary located in Chicago. His responsibilities include the marketing and placement of reinsurance for commercial clients. His experience includes underwriting roles in two of the largest commercial insurers spanning more than 25 years, and recently on the brokerage side of the business.

Murphy received his bachelor of arts degree from Central Connecticut State University, and his master of arts from the University of Connecticut, both in economics. He frequently teaches the Insurance Institute of America's General Insurance (INS) course to new members of the insurance community. He serves on the board of the Association of Lloyd's Brokers, which provides information, education, and business contacts to Lloyd's correspondents and coverholders in Illinois.

He also serves on the board of the Elmhurst City Centre in Elmhurst, IL; is a director of the CPCU Society's Chicago Chapter; and is the new chairman of the CPCU Society's Underwriting Section Committee.

Aloha!

Once again the Underwriting Section will host a few events at this year's Annual Meeting and Seminars in Hawaii. Both events are on Monday, September 10.

The first event is the Underwriting Section Breakfast, from 7 to 8:30 a.m. In addition to being a wonderful networking opportunity, **Eduard J. Pulkstenis, CPCU, FCAS**, a senior vice president and chief commercial lines underwriting officer with Selective Insurance Company of America, will deliver a presentation on “The Future of Underwriting.” This will entail a view of trends in underwriting, decision tools, and what it will take to be successful in our discipline. Tickets are required for this popular breakfast event and can be purchased either at time of registration, or when checking into the CPCU Society’s Annual Meeting Registration booth, for \$28 each. You may be one of the lucky ones to walk out with a door prize, or two.

The second event is the “Decision Management: Advances in Real-Time, Risk-Driven, Rules-Based Underwriting

Decisions" seminar, to be held from 10:45 a.m. to 12:45 p.m. Here you will be able to listen to a panel of industry leaders and underwriting executives who have implemented new underwriting decision strategies based upon rules-based and predictive model-enhanced decision systems. This seminar will feature two insurers who have focused on enhancing and advancing their underwriting practices. The presenters are: **Lamont D. Boyd, CPCU**, Fair Isaac Corporation (moderator); **Michael W. Koscielny Jr., CPCU, CIC**, American Modern Insurance Group; **Patrick J. Madigan**, Unitrin Kemper Auto and Home; and **Ian H. Turvill**, Fair Isaac Corporation.

Additionally, we will host the Sections Booth with the CPCU Society's other interest section leaders. Please stop by and learn more about these sections. It's also a great time to learn how you can become a member and get involved, either as a committee member or an author. In the meantime, if you are interested in learning more about section volunteer opportunities, please contact me at murphyb@brps.com. ■

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Global Warming and You: What Every Insurance Professional Should Know about Climate Change

by William F. Stewart



William F. Stewart practices in the West Conshohocken office of Cozen O'Connor. He concentrates his practice in insurance coverage, fraud defense, bad-faith defense, environmental, toxic tort, and mold coverage defense. Stewart is a member of the Pennsylvania, Philadelphia, Montgomery County, and Camden County Bar Associations. He is a frequent contributor to *Business Insurance*, *Best's Insurance*, and *Mealey's*. Stewart is an arbitrator for the U.S. District Court for the Eastern District of Pennsylvania, and for the Philadelphia Court of Common Pleas and the Montgomery Court of Common Pleas. In 2005, he was selected by the Pennsylvania Supreme Court to serve on the state rules committee. Stewart earned his law degree at the University of Notre Dame, where he graduated cum laude. He is admitted to practice in Pennsylvania and New Jersey, and has practiced pro hac vice in more than 10 U.S. states and territories.

The good news is, if you are reading this article, you are employed in a growth industry. The overwhelming weight of evidence suggests that global warming will dramatically increase both the frequency and severity of property and liability claims. The bad news? Unfortunately, in the coming decades, our planet will experience some combination of unprecedented hurricanes, wildfires, floods, hail, heat waves, and drought. This article endeavors to provide practical commentary on what is happening, how it will impact insurers, and what the insurance industry can do in response.

Isn't Global Warming Just Scientific Conjecture?

In the 1890s, a Swedish scientist named Svante Arrhenius made a novel prediction about climate change. He opined that, if humans continued to release high levels of carbon dioxide into the air, it would trap heat within the atmosphere and increase temperatures on the planet's surface. Although Arrhenius' theory was rejected in his own time, the "greenhouse effect" is almost universally accepted by contemporary environmentalists. Indeed, according to an April 6, 2007, article published by the *Insurance Journal*: "no serious scientist today disputes the existence of global warming, even though its potential impact remains the subject of continued analysis." In February 2007, the United Nation's Intergovernmental Panel on Climate Change (IPCC) issued a report stating: (1) "warming of the climate system is unequivocal"; and (2) it was very likely that human activity since 1750 has overloaded the atmosphere with carbon dioxide—which in turn has resulted in the retention of solar heat.

In 1750, atmospheric levels of CO₂ were 280 parts per million (ppm), by 1960 CO₂ levels had risen to 330 ppm, and now CO₂ levels are 380 ppm (which is higher than at any time in the last 650,000



years). To make matters worse, the IPCC has predicted that atmospheric carbon dioxide levels could reach 450 to 550 ppm by 2050. Correspondingly, 11 of the 12 warmest years in history have occurred since 1995. Thus, the debate is no longer whether global warming is occurring, but whether we are headed toward some sort of abrupt and cataclysmic change to our environment.

How Will Global Warming Impact the Insurance Industry?

The U.S. Environmental Protection Agency's web site states: "[w]hile the effects of climate change will impact every segment of the business community, the insurance industry is especially at risk." At an April 19, 2007, international conference on Climate Change Regulations and Policy, the insurance industry was referred to as "the big canary in the coal mine"—because insurers will be the first to feel the impact of an increase in the frequency and/or severity of natural disasters.

While it is rarely possible to conclude that any particular weather-related loss is the result of global warming, there has been an alarming increase in both the number and extent of catastrophe (CAT) claims. According to the EPA, "there were four times as many natural catastrophes in the 1990s as there were three decades ago." Seven of the 10 most

expensive hurricanes in U.S. history (Katrina, Charlie, Rita, Wilma, Jeanne, Ivan, and Frances) occurred during the 14-month period between August 2004 and October 2005. The 2004 and 2005 hurricane seasons resulted in \$75 billion in insurance payments, and CAT losses during that period equated to 12 percent of overall property insurance premium—which is more than three times the historical average.

One of the most alarming aspects of global warming is rising sea levels. An April 6, 2007, IPCC report stated, with “medium confidence,” that “sea-level rise and human development are together contributing to . . . coastal flooding in many areas.” In Florida, sea levels have risen six to eight inches over the last 100 years because of melting Arctic ice, and an accelerated upsurge is predicted because even a one-degree increase in temperature would result in massive melting of the Greenland ice cap. While there are no reliable models to predict how an anticipated two to three degree temperature increase would affect the ice caps, there is a growing view that low-lying coastal cities like Miami may be in grave risk before the end of the century.¹

While most of the focus to date has been on coastal areas, the effects of global warming will be universal. Tim Wagner, the director of the Nebraska Department of Insurance, recently offered the following assessment: “After New Orleans, it’s becoming clearer that we are experiencing more frequent and more powerful weather events that pose huge challenges for the insurance industry. . . . [but] this is both a coastal issue and a heartland issue . . . we’re seeing all kinds of extreme weather in the Great Plains, including drought, tornadoes, brushfires and severe hailstorms.”

How Can the Insurance Industry Most Effectively Respond to Climate Change?

Scientists broadly characterize responses to global warming into two main categories: mitigation and adaptation. Mitigation involves attempts to reduce greenhouse emissions through conservation, alternative energy usage, and underground carbon storage. The reality, however, is that while mitigation efforts are imperative, they are unlikely to eliminate the problem. By the end of 2007, China will surpass the United States as the nation with the highest level of carbon dioxide emissions. For the present and foreseeable future, China’s first priority will be the elimination of poverty, and, thus, it has consistently refused efforts to reduce or capture its emissions. Moreover, because CO₂ remains in the atmosphere for decades, and because the oceans retain heat for centuries, temperatures would continue to rise even if we could curtail the global production of greenhouse gases.

Adaptation involves the response of individuals, businesses, and communities to cope with the inevitable consequences of climate change. Examples of adaptation range from the conventional construction of levees to the futuristic “seeding” of clouds with chemicals to produce rain when and where it is needed.

Insurance professionals will be called upon to employ strategies that include both adaptation and mitigation measures. Three common examples of adaptation are pricing adjustments, risk sharing with insureds (e.g., increased windstorm deductibles), and cancellation. In February 2006, Allstate announced plans to stop offering property coverage in several counties along the Chesapeake Bay. Many property insurers have ceased writing business in Louisiana and Florida, and those still issuing policies have raised rates significantly. Another example of adaptation involves a proposed National Catastrophic Fund, which would aid insurers in the event of major climatic

disasters—similar in certain respects to both the Terrorism Reinsurance Act of 2002 and the National Flood Insurance Program.

In addition to adaptive measures, the insurance industry is in a unique position to mitigate climate change. The EPA has asked insurers to address global warming by: (1) educating policyholders about the financial risks associated with climate change; (2) supporting stricter building codes to minimize the impact of severe weather; and (3) promoting energy efficiency and renewables to cut greenhouse gases. And indeed, despite its unfairly maligned reputation, the insurance industry has been a leader in combating CO₂ emissions. Travelers offers a 10 percent auto insurance discount to the owners of hybrid cars. Fireman’s Fund not only reduces premiums for environmentally friendly buildings, but also encourages its insureds to use “green” products to repair losses. In April 2007, AIG became the twelfth company, and the first insurer, to join the United States Climate Action Partnership (USCAP)—which supports a number of immediate mitigation measures including a nationwide limit on carbon dioxide emissions. Swiss Re has invested substantially in solar technology. And, the Risk and Insurance Management Society (RIMS) has entered into an agreement with the EPA to research and educate its members on mitigation and adaptation strategies.

In sum, climate change will be one of the great challenges of our time, and the insurance industry will be among the sectors most fundamentally impacted. While the prospects of global warming still present more questions than solutions, companies that take the lead in evaluating and addressing climate impact are likely to enjoy a significant competitive advantage in the years to come. ■

Endnote

1. See e.g., Brian Handwerk, *National Geographic News*, November 9, 2004.

Insuring the Home-Based Business (Part 1)

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



Robin K. Olson, CPCU, CRIS, ARM, AAM, ARP, is director of training and education for the International Risk Management Institute (IRMI) and is the editor of IRMI's Personal Lines Pilot.

Olson contributes articles on personal risk management and auto risk management to the Expert Commentary section of IRMI.com.

Olson received a B.A. degree in economics, cum laude, from Southern Methodist University in Dallas. He is a Chartered Property Casualty Underwriter (CPCU) and holds the Associate in Risk Management (ARM), Associate in Automation Management (AAM), Associate in Research and Planning (ARP), and Construction Risk and Insurance Specialist (CRIS) designations. In addition, Olson also serves as an adjunct professor at the University of North Texas where he teaches risk management classes.

Before joining IRMI in 1998, Olson was an underwriting manager for two national insurance companies where his experience encompassed both personal and commercial lines.

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The United States has experienced a rapid growth in home-based businesses in the last decade. The latest studies indicate that there are more than 11 million home-based businesses in the country, a figure that is expected to rise in the coming years. A recent survey, however, found that a majority of these businesses do not have the proper insurance coverage.

Many businessowners assume that their homeowners insurance policy protects them from any potential losses related to their home-based business. Most homeowners forms, however, provide little protection for a vast number of home-based businesses due to a variety of property and liability exclusions and limitations. When losses do occur to business operations in which no commercial insurance is available, the businessowner often looks to his or her homeowners policy to provide the necessary protection. In cases where the insurer denies coverage and the case goes to trial, the issue often hinges on the definition of "business" and the particular facts of the business and the loss. In many cases, the courts uphold the business exclusion, leaving the businessowner without coverage.

The solution to this problem is procuring the proper insurance coverage for the home-based business. The necessary insurance can often be obtained through the appropriate homeowners endorsement(s), of which there are several types. For larger home-based businesses, the solution may be a separate business owners policy (BOP). Insurance agents and brokers who focus on personal lines insurance should become aware of this growing loss exposure and utilize risk management techniques to proactively deal with it. This program should also evaluate other potential insurance gaps and needs for the business, such as automobile, excess liability, professional liability, and workers compensation coverages.

This article focuses on information and statistics concerning home-based businesses and the lack of coverage under standard homeowners policies. Future

articles in this series will examine how the courts have interpreted the concept of business, available homeowners endorsements for this exposure as well as the BOP, and the additional insurance products necessary to properly handle this burgeoning loss exposure.

Home-Based Business Statistics

Home-based businesses are a rapidly expanding form of business in the United States. A February 2004 study by the Independent Insurance Agents & Brokers indicates that approximately one in 10 U.S. households operate some type of full- or part-time home-based business. These types of businesses make up about 53 percent of the small business population, and represent a broad cross-section of U.S. industrial sectors. Approximately 60 percent are in the service industries, 16 percent in construction, 14 percent in retail trade, and the remaining are scattered in transportation, communications, wholesale trade, manufacturing, finance, and other industries, according to the Small Business Administration, "Small Business Research Bulletin: The Small Business Economy 2004."

Home-based businesses tend to be sole proprietorships, employing fewer people and earning less revenue than other businesses. See Table 1 for employment percentages.

Annual Gross Receipts Percentage

These types of businesses are of particular interest due to their potential as a fountain of economic activity. Homes can serve as business incubators, collectively providing start-ups with an entry point into the

business world. According to *Fortune* magazine, Dell Computers, founded in 1984 in a university dorm room, is now the twenty-fifth largest company in the United States. The Internet, in particular, has played an important role in the development of home-based businesses. For example, eBay selling has become a popular type of home-based business. Other popular types of home businesses include massage therapy, business and career coaching, computer consulting, computer repair, elder services, financial advising, and web mastering.

This growth, however, has resulted in many coverage gaps for these business owners. A recent study conducted by the Independent Insurance Agents & Brokers of America indicated that 58 percent of home-based businesses are without business insurance. For these uninsured business owners, 87 percent did not understand why separate insurance for the business is necessary. See Table 3 for additional survey responses from uninsured home-based business owners.

The survey indicated further that these business owners assumed that insurance for fledgling home-based businesses was too expensive. And the March 1, 2004, issue of *National Underwriter Property & Casualty-Risk & Benefits Management* indicated that 11 percent of businesses without insurance experienced a loss.

Coverage Limitations under Homeowners Policies

The assumption that standard homeowners policies provide coverage for home-based businesses is a dangerous one. This policy contains an assortment of property and liability restrictions for business-related loss exposures. Note that the "business" definition is also an important provision to review when ascertaining coverage.

Table 1
Home-Based Businesses—Number of Employees

Number of Employees	Percentage
No Employees	91.6
1 - 4	7.2
5 - 19	1.0
20 or more	.2

Source: Small Business Administration, "Home-Based Business and Government Regulation," Washington DC: Office of Advocacy, February 2004, p. ES-1.

Table 2
Home-Based Businesses—Revenue Size

Annual Gross Receipts	Percentage
Less than \$25,000	77
\$25,000 to \$50,000	19
\$100,000 to \$500,000	3.5
\$500,000 or more	Less than 1

Source: Small Business Administration, "Home-Based Business and Government Regulation," Washington DC: Office of Advocacy, February 2004, p. ES-1.

Table 3
Uninsured Home-Based Businesses—Survey Responses

Reason for Uninsured Status	Percentage
Other insurance unnecessary since they had a homeowners policy	39
Business was too small or posed no risk	29
No reason	19
Total of all home business owners who do not realize need for separate insurance	87

Source: Independent Insurance Agents & Brokers of America, "New National Survey Finds Nearly 60 Percent of Home-Based Business Owners Without Insurance," Press Release: February 25, 2004.

Business Property Restrictions

The Insurance Services Office, Inc. (ISO), Homeowners 3—Special Form (HO 3), a commonly used form promulgated in 2000, precludes property coverage for "other structures" such as a detached garage or separate nondwelling building, from which any "business" is conducted. Thus, if the insured operates a home-based business out of his or her detached garage, this structure is not covered.

A related exclusion stipulates that any structure used to store business property solely owned by an insured or a tenant of the dwelling would be covered, provided

that the stored items do not include liquid fuel. For example, if Mary stores training materials used in her home business in her storage shed in the backyard, coverage would be provided for the shed. However, if Mary stores fuel supplies for a jet ski rental business in the detached garage, coverage would not be afforded for the shed. An exception preserves coverage for the structure if the fuel is in a permanently installed fuel tank of a vehicle or craft stored in the structure.

The HO 3 also specifies a \$2,500 limitation on property located on the residence premises, used primarily for business purposes. Thus, if the insured has

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Insuring the Home-Based Business

Continued from page 5

a \$4,000 computer, used primarily for her home-based graphic art business, which is stolen from her home or damaged in a fire, the loss paid is limited to \$2,500.

In addition, the HO 3 contains a \$500 limitation on business property located away from the residence premises. Thus, if the insured is taking the same computer to a repair shop and it is stolen out of her car, the loss paid is limited to \$500. The American Association of Insurance Services (AAIS) homeowners form contains a \$250 limit on business property located away from the insured premises.

Business Liability Restrictions

An even greater loss exposure concerns legal liability for a home-based business since most homeowners policies contain liability exclusions for business-related activities. The ISO HO 3 excludes bodily injury or property damage:

arising out of or in connection with a "business" conducted from an "insured location" or engaged in by an "insured," whether or not the "business" is owned or operated by an "insured" or employs an "insured."

The policy, however, does allow an exception for businesses engaged in the:

rental of an insured location (a) on an occasional basis if it is used only as a residence, (b) in part for use only as a residence, unless a single family unit is intended to be used by the occupying family to lodge more than two roomers or boarders, or (c) in part, as an office, studio, school, or private garage.

A second exception concerns an insured under age 21 involved in a part-time, self-employed business without any employees. The vast majority of home-based businesses, however, do not fit into these two categories.

Another important liability exclusion pertains to professional services. The

HO 3 excludes any type of bodily injury or property damage arising out of the providing of or failure to provide professional services. The courts generally rule that a professional service is one requiring specialized knowledge or mental, rather than manual, skills.

The homeowners policy is intended to cover personal loss exposures, not professional exposures. For example, if John is an attorney who works out of his home, he needs to procure a separate professional liability or errors and omissions (E&O) liability policy to protect him from lawsuits stemming from his professional acts.

"Business" Definition

The next issue pertains to the definition of a "business." The ISO HO 3 defines a "business" as a trade, profession, or occupation engaged in, regardless if it is on a full-time, part-time, or occasional basis. Any other activities in which an insured participates for money or other compensation qualifies as a "business" with certain exceptions. (Note: Many insurer homeowners forms do not contain any exceptions to the business definition.) Four minor business-related type exposures are specified as non-business activities and are thus covered under the HO 3.

The first exception concerns activities that are not described in the next three exceptions, for which an insured receives \$2,000 or less in total compensation during the 12 months preceding the effective date of the policy. For example, John works at a regular daytime job; however, he has a substantial baseball card collection, and he occasionally advertises to sell specific cards on the Internet. His revenue from this avocation in the preceding 12 months was \$1,300. If a baseball card customer coming to John's house slips on the sidewalk and is injured, coverage for this loss arising from this sideline avocation is not affected by the form's business exclusions and limitations.

The second exception involves volunteer activities in which no compensation is provided other than expenses paid to perform the activity. Suppose that Frank volunteers at a local hospital. He is paid only for his gasoline expenses to and from the hospital. Assume further that he helps an elderly patient sit in a chair and the patient falls and subsequently sues Frank for negligence. The homeowners form does not categorize this situation as a "business" activity; thus, the form's business exclusion would not apply.

The third exception concerns home day care services. Occasional day care services provided for which no compensation is involved, other than the mutual exchange of such services, is not considered a "business" exposure. For instance, assume Mary has a 3-year-old child and her neighbor has a 4-year-old child. If these two women take turns babysitting each other's children with no exchange of money, this activity does not fall into the business category.

The fourth exception pertains to the rendering of home day care services to a relative of an insured. For example, Mary is a retired individual who cares for her mother in Mary's home. This is not considered a "business" activity, regardless of whether any payment is involved.

This definition is fairly broad-based; however, the concept of business is not always precise and clear-cut. For example, a hobby can eventually turn into a profitable and growing business. Conversely, a sideline business that is not profitable and is operated on an erratic basis may not be viewed as a business per se by the courts.

Part 2 of this series discusses court decisions and interpretations of what constitutes a "business." Part 3 of this series looks at the proper endorsements and policies needed to adequately protect home-based businesses. ■

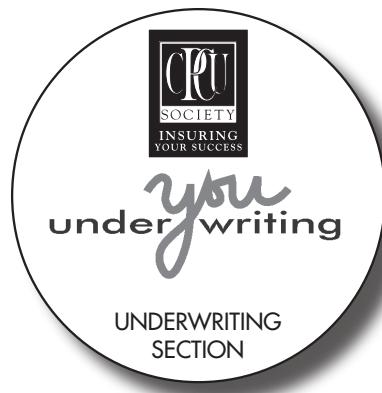
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- Gain exposure as a thought leader or authority on a given subject.
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- Overall career development.

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The Underwriting Section Committee

We put the YOU in underwriting.

The importance of this slogan is that insurance is still a people and relationship business. People make the difference.

Make sure to put the YOU in the underwriting process.

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Data Breaches Expose Businesses, Highlight Need for New Insurance Programs

by Mark MacGougan

■ Mark MacGougan is vice president for new strategic products with The Hartford Steam Boiler Inspection and Insurance Company. He manages the company's identity recovery and data compromise programs. The identity recovery program designs and reinsures homeowners and business coverage for other property and casualty carriers so they can include identity recovery services and identity theft insurance in their policies. The data compromise program reinsures coverage included in the small business policies of other carriers to help commercial policyholders respond to the loss, theft, or public disclosure of personal information for which they are responsible.

The breach of personal data stored in business files and computers is a serious risk for any company that controls the information. Customers and employees may become the victims of identity theft and fraud. With so many incidents of data loss being reported, companies are looking for solutions that include new insurance protection.

All companies are responsible for personal information. Even a small business may have data on a large number of customers, clients, and vendors. That information can be lost, stolen, or inadvertently disclosed. But the result is the same—anxious victims, unexpected business costs, and damage to a company's brand and reputation.

Laptop Thefts Increase Risks

The breach of personal information is a serious problem in the United States. In the past two years alone, data breaches have affected approximately 100 million Americans, a consumer watch group reports. Some people may have been affected more than once, and not all of them were victims of identity fraud, of

course, but the growing number of data losses points out the continuing exposure to consumers and businesses.

Personal data may be stolen from physical records, or obtained by fraud such as the sale of information to a sham company. It might be hacked from computers, mistakenly released or published, even posted to a web site. A key factor in many of the recent high-profile data breaches has been the theft or loss of laptop computers. In fact, about a quarter of all reported data breaches may involve missing laptops.

It's not surprising since laptops are a target of thieves. CyberAngel Security Solutions, a national security technology firm, reports that 10 percent of all laptops are stolen in the first 12 months, and 90 percent of those computers are never recovered. Half of U.S. companies had laptops stolen in the last year, and almost 60 percent of all corporate crimes are linked to stolen laptops.

Data Breaches Spur New Laws

To fight identity theft, 35 states have passed laws that require businesses to respond to the breach of personal information under their control. Federal legislation is pending. Most of the laws require businesses to warn victims about potential ID theft and fraud. In many cases, the warning must be issued within days and include the news media. Businesses may have to pay to monitor personal credit.

Even without a legal requirement, consumer sentiment is pressuring businesses and institutions to take responsibility. The public expects businesses to safeguard personal information. They want victims to be notified and informed about the scope of the damage. They also demand the company provide personal assistance including identity restoration case management when a data breach occurs.

A data breach can seriously harm the brand and image of a business. Although it can be expensive to notify and assist victims of a data breach, the risk of not notifying the people affected can be far worse. In today's environment, a business that experiences a data breach must protect itself from both the risk to its reputation and the cost of providing services to those exposed to identity theft and fraud.

Data Compromise Coverage Offers Protection

A new insurance product—Data Compromise coverage—is starting to appear in the market. This commercial lines coverage addresses the issue of data breaches by helping a business or institution respond. This is important, since ID Analytics' National Data Breach Analysis found that early notification of breached personal information may significantly lower the rate of misuse. The findings suggest that breach notification could serve as a deterrent to ID fraud.

There are at least a few Data Compromise coverage forms being offered. At this time, at least one monoline form appears aimed at large accounts, and at least one packaged form is designed for middle-market and main street accounts. One of these combines' first- and third-party coverages, and one is first-party only. With corporate managers citing data breaches as their number-one concern in a recent poll, data compromise should be an area of further development and innovation in the coming months.

Smaller Companies Can Be Vulnerable

It is particularly challenging to offer broad and affordable coverage for smaller businesses, which can find it most difficult to respond to the breach of personal information. Unlike larger companies, they may not have the knowledge, staff, and resources to inform and protect potential victims. Smaller businesses

might not recover as easily from the extra expense and bad publicity. They should look for Data Compromise coverage that will arrange and pay for:

- the cost of notifying individuals
- legal reviews and forensic information technology services
- personal services for eligible insureds such as a help line, credit checks, and case managers for the victims of ID fraud

We Must Be Careful with Claim Data

Data Compromise coverage raises sensitive issues for insurance professionals. One is the extreme sensitivity of claim data. How will a claim be adjusted? How much information do you need? The personal information of potential identity theft victims can't simply be faxed and dropped inside an in-box. It requires special handling and careful security procedures so that insurers are part of the solution, and not the problem.

Another issue is for the insurance industry to take action so that we are not fooled ourselves. It can and does happen that insurance companies issue policies to people who are not who they claim to be. Worse yet, insurers may issue claim payments to imposters. Identity verification is not always easy, but our industry must take steps to protect personal information and prevent claim-related identity fraud.

Insurance Professionals Can Help

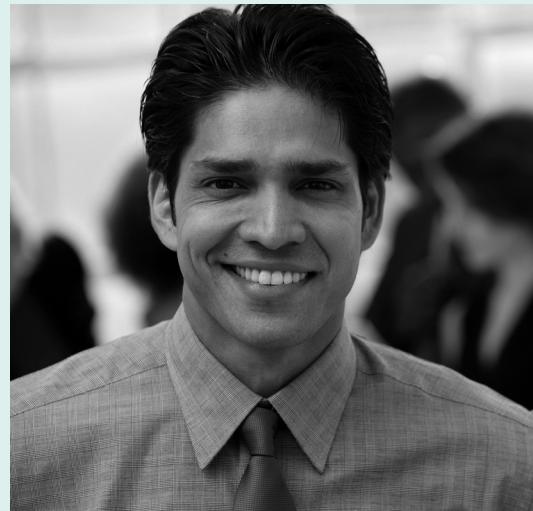
It is difficult enough just to keep up with developments. As technology continues to advance, personal information becomes increasingly exposed, and new coverage options for data breaches are evolving. The pain of being an identity theft victim is driving public reaction to data breach incidents. Our industry can help by taking good care of the data in our own control, offering high-quality services to ID theft victims, and developing new insurance programs for data breach exposures. ■

Have You Considered Volunteer Leadership Opportunities?

The CPCU Society membership is what makes the CPCU Society one of the most thriving and successful organizations in the industry today. As a member of the CPCU Society and your local chapter, you'll find many opportunities to contribute to the success of the CPCU Society—while developing your leadership skills and giving something back to the industry.

How can you get involved?

- At the local chapter level:
 - Serve on a chapter committee or task force.
 - Step up and express an interest in becoming an officer or chapter leader.
 - Volunteer to coordinate a chapter Good Works program—such as a joint event with a community organization.
- At the Society level (fill out an Application for CPCU Society Service):
 - Apply to serve on a task force.
 - Reach out to a Section Committee and inquire about possible opportunities to become a committee member.



Section Committee involvement offers unique one-of-a-kind networking, learning, and fellowship opportunities that can translate into career advancement and allow you to give something back to the organization and industry.

Thought to Ponder ...

"If we couldn't laugh, we would all go insane."

—Jimmy Buffett

Driving Miss Daisy: Fleet Safety and Older Drivers

by Paul Farrell

Paul Farrell is CEO of SafetyFirst Systems, LLC. SafetyFirst works with insurers and larger, self-insured companies to provide crash reduction/claim avoidance programs including "How's My Driving?" and Fleet Risk Management database services. Farrell can be reached by phone (888) 603-6987 or by e-mail paulf@safetyfirst.com.

Farrell will be presenting more on this topic of older drivers and fleet safety at the upcoming CPCU Society's 63rd Annual Meeting and Seminars to be held in Honolulu, HI, on September 11, 2007. The presentation will feature Richard K. Harkness, Ed.D., of Adept Driver as co-presenter. Session details may be found at: <http://www.cpcusociety.org/page/100230/>.

Historically, injuries and fatalities caused by vehicles have taken a terrible toll on people's lives, cost insurers millions of dollars, and disrupted employer's operations. In fact, motor vehicle crashes in the United States continue to be:

- the leading cause of workplace fatalities
- the most costly lost-time workers compensation injury
- one of the leading causes of off-the-job, unintentional injury

One area of traffic safety that periodically makes national headlines is older drivers and tragic crashes that occur when they may no longer be qualified to operate their vehicles due to age-related cognitive or physical limitations.

For instance, in October 2005, a St. Petersburg, Florida resident hit a pedestrian and severed the pedestrian's leg. Instead of stopping and getting help, the man continued to drive another three miles with the pedestrian's body lodged in his car's windshield. Ultimately, the driver was stopped by a tollbooth operator who contacted the police. The

driver was 93 and had begun to show signs of dementia at least a week before the accident. The driver had renewed his license in 2003, and was not scheduled to renew it until 2010.

In 2003, a California resident, age 86, killed 10 bystanders and injured 63 others at a farmers' market in Santa Monica. The driver said he was trying to stop, but may have confused the gas and brake pedals as his car crashed through three blocks of pedestrians and parked vehicles. In November 2006, the driver was sentenced to probation.

As recently as June 15, 2007, a 92-year-old California resident confused the gas and brake pedals while trying to park his vehicle and ended up killing a bystander in a local San Diego community.

Tragedies like this spur a lot of discussion about public safety, license renewal issues, and the rights of older drivers to continue driving.

Age and the Need to Drive

According to the Administration on Aging (AoA), older citizens (aged 65+) make up roughly "... 12.4 percent of the U.S. population, about one in every eight Americans." However, "By 2030, there will be about 71.5 million older persons, more than twice their number in 2000."

It is expected that this generation will spend much more time "behind the wheel" of a car or truck than previous generations. For older citizens, driving provides a "lifeline" to meet daily needs and engage in social activity. For some, driving will also be a key part of obtaining an income.

In fact, AoA's statistics reveal that older Americans contribute to "... one of the highest labor force participation rates in the developed world." Several factors are driving this trend:

- Continuing advances in medical

treatments that have extended the average lifespan.

- Some older workers are delaying retirement due to financial concerns, for personal fulfillment, or to enjoy the social relationships associated with working.
- To many employers, the 70-plus million members of the "baby boomer" generation represent a tremendous resource pool of experience and skills.

How will this shift in workplace demographics affect fleet safety results?

Age and Traffic Safety Results

Traffic safety specialists have long observed an odd distribution of mileage-based crash rates based on the age of the driver. The crash rates of very young drivers and those of older drivers tend to be much higher than drivers in the "middle" of the age range. This produces an "inverted bell curve," or simply a "U"-shaped curve.

A great deal of crash information has been developed for older drivers. Generally, older drivers take few risks and try to follow recommended practices. The Centers for Disease Control and Prevention (CDC) observes that:

- Older adults wear safety belts more often than any other age group.
- Among older occupants involved in fatal crashes, 75 percent were using restraints at the time of the crash, compared to 62 percent for other adult occupants (18 to 64 years old).
- Older adult drivers tend to drive when conditions are safest. They limit their driving during bad weather and at night, and they drive fewer miles than younger drivers.
- Older adult drivers are less likely to drink and drive than other adult drivers.

- During 2005, most traffic fatalities involving older drivers occurred during the daytime (79 percent) and on weekdays (73 percent); 73 percent of the crashes involved another vehicle.

Despite these positive trends in behavior, the Insurance Institute for Highway Safety (IIHS) provides additional insights into older driver's crash statistics:

- Forty percent of the fatal collisions of people 70 and older occur at intersections and involve other vehicles.
- Thirty-seven percent of drivers aged 70 or older failed to yield the right of way at intersections (more commonly at stop-sign controlled intersections than traffic-signal-controlled intersections).

Beyond drivers' behavioral patterns, a significant factor that influences traffic safety results among older drivers is the treatment of crash injuries. As people age, their bodies become less efficient at healing, bones become more brittle, and various body systems decline in efficiency. These physiological conditions directly influence the traffic safety results—longer hospital stays and increased mortality rates.

A NHTSA study titled, "An Aging Population: Fragile, Handle With Care" notes that:

- Older drivers (60+) had more than twice the mortality rate than younger drivers (<60).
- Older drivers take longer to recover than younger drivers. "Given equivalent injury scores, the over-65 age group has higher admission rates, hospital length of stay, and mortality than younger patients. Despite a distinct tendency to be more aggressive in the treatment of the elderly, especially with regard to internal fixation of fractures, the rate of recovery is much slower, and the older age group requires nearly double the number of outpatient visits post-op."

Serious motor vehicle crash injuries among older drivers tend to be chest injuries with rib fractures. Difficult to treat at any age, some commonly encountered age complications include bone brittleness (more likely to fracture, more fractures per case), preexisting medical conditions or diseases (especially chronic conditions such as heart disease, cancers, etc.), and organ damage (organs are normally protected by ribs, but may suffer damage during a crash where the ribs are fractured).

Factors Leading to Increased Crash Risk among Older Drivers

Senescence, or the process of aging, affects drivers' crash risk in two areas:

- biological/physiological changes
- mental/cognitive changes

As mentioned in the previous section, body changes can include: loss of muscle and bone mass, lowered metabolic rate, lower reaction times, and declines in organ performance including immune functions. As a result of (or complication of) the normal aging process, diseases may appear such as Diabetes Mellitus (DM). A University of Rochester study found that changes in hormone levels (often associated with the aging process) may also affect diverse issues such as kidney regulation and even hearing.

One of the most common physiological changes as we age is our ability to see clearly. Older drivers may have impaired or diminished visual acuity due to:

- changes in eye shape
- the development of cataracts
- lens degradation
- diseases affecting vision such as Glaucoma, Macular Degeneration, HIV, Diabetes

Driving with impaired vision can directly lead to crashes, especially during situations with road glare, twilight

conditions, or low sun angle (sun directly in eyes). A re-evaluation of vision testing, including the types of tests, is slowly occurring among several states' licensing agencies since visual acuity is a key concern for traffic safety.

In addition to physiological changes, decreases in cognitive ability can affect judgment and situational awareness. Common forms of mental impairment include:

- dementia, Alzheimer's
- emotional duress (living on fixed income, rising costs, inadequately funded retirement, rising medical costs, loss of spouse, limited network of resources and support team)

Finally, impairment of body or mind functions may be caused through the intake of prescription medication(s) for other conditions.

What Can Be Done to Diagnose and/or Assist Older Drivers?

Since individuals age uniquely, it is possible that an older person may be in better physical and mental condition than others who are several years younger. Also, older drivers' fitness to operate a vehicle (on or off the job) may change suddenly based on the natural aging process or the onset of age-related disease.

Since the issues are rooted in body and mind condition (not simply a person's age), the most promising programs focus on health and performance monitoring, and licensing practices.

Self-Evaluation and Education

Conscientious drivers may want to monitor their own health and driving performance, and proactively participate in tailored training programs to bolster driving skills. This enables them to take responsibility for their own actions, and preserve their safe driving records.

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Currently, there are a number of driver safety programs available for older drivers, and more are under development. Programs available for older drivers range from basic driver's education presentations to software tools that exercise and measure cognitive functions. Some examples of resources to aid older drivers:

- AARP offers a driver training program tailored to drivers who are over age 50. Described as the "... first and largest refresher course for drivers age 50 and older ..." almost 590,000 students participated in a classroom driver training program during 2006.
- AAA has developed a program called "Roadwise Review": a CD-ROM-based program that enables seniors to measure "... the eight functional abilities shown to be the strongest predictors of crash risk among older drivers."
- AdeptDriver.com has previously provided teen driving programs and is preparing to release a program for older drivers.
- A company called Cognifit produces several software programs (i.e. MindFit, DriveFit, etc.) that enable clients to exercise and measure cognitive tasks like "... visual search, time estimation, naming, categorization, visual short-term memory, auditory short-term memory, location memory, spatial orientation, planning, ability to inhibit planned action, speed of reaction, and hand-eye coordination."
- www.agenet.com—Offers a self-evaluation checklist for older drivers.
- www.seniordrivers.org—Provides various bulletins and resources for older drivers.

Unfortunately, older drivers may not be inclined to participate in routine self-evaluation since the potential outcome may be a negative one (to stop driving).

Employer-Based Performance Monitoring

Employers have the option to use various tools to monitor the driving performance of all their employees (regardless of age). These "driver monitoring systems" help document behaviors and provide a basis for peer coaching or retraining when driving becomes erratic or unsafe.

Driver monitoring systems range from "How's My Driving?" call-in programs to satellite-based Global Positioning Systems (GPS) and camera-in-cab video recorders.

- "How's My Driving?" programs have been widely documented by insurers and fleet managers as effective in most commercial use (business use) settings. Crash rate reductions of 20 to 30 percent are common when reports are consistently used for coaching and re-training. The application of these programs to personal use driving has been inconsistent, poorly documented, and focused on teen drivers. For employers, this type of program can benefit all business drivers regardless of age.
- GPS systems can provide turn-by-turn directions and positive location of the vehicle. Despite many benefits for users, these devices could add to driver confusion and distraction if they are improperly used while driving. Additionally, their ability to provide "behavioral" insights is largely limited to speed and direction unless specially equipped with additional sensors (i.e. to detect hard braking, abrupt lane change, etc.).
- Camera-in-cab video recorders have recently been introduced to help document fleet driver and teen driver behaviors, but may have some application for older drivers, too. Designed to capture risky driving maneuvers on short video segments, the benefit of the program comes from coaching and retraining after careful analysis of the video clip. The video may be discoverable during litigation

following a crash. Relatively new to the traffic safety arena, there has been limited documentation of this system's effectiveness (client-specific testimonials only, no large-scale, statistically relevant studies published).

Each of these systems depends on supervisory support in the form of coaching or retraining based on data developed from the program.

Routine Health Screening and "Fitness to Drive" Reporting

Discussing a person's health and fitness to perform physical tasks (related or unrelated to employment) is highly personal and can be emotionally stressful. Separating opinion and speculation from medical fact requires professional diagnosis/testing of driver.

Drivers who operate "commercial motor vehicles" (those subject to Federal Motor Carrier Safety Regulations) must satisfy a periodic medical evaluation by a licensed physician. The regulations specify key areas of fitness that must be evaluated: blood pressure, vision, hearing, cognitive ability, etc. These regulations typically affect drivers of extra-heavy, interstate, long-haul operations. Contractors, local delivery, sales and service operations are usually not subject to these types of regulations.

Older drivers who voluntarily visit their "family doctor" for a checkup or a diagnosis may be reported to the local Department of Motor Vehicles if the doctor suspects that the driver is a danger to him or herself or the general public, and will not voluntarily surrender his or her driver's license.

While the American Medical Association (AMA) has published voluntary guidelines for reporting unsafe drivers, state law varies greatly on physician reporting. In most states, physicians are not legally obligated to report unsafe drivers. In a small number of states, physicians are required to report unsafe

drivers, and are provided with immunity from liability.

Pennsylvania's Department of Motor Vehicles (DMV) statistics show that more than 20,000 new physician reports are submitted annually. Further, these reports result in modification of existing licenses (adding or deleting restrictions) and in some cases (estimated to be 14 percent of the total) recall of driving privilege. In Pennsylvania, physicians who do report drivers who are unsafe are immune from civil or criminal liability.

In Canada, physicians are obligated to report unsafe drivers; however, the larger question of whether doctors should be required to report "unfit to drive" requires a delicate legal balance between a patient's privacy and public safety.

A state-by-state breakdown of reporting requirements is included in the AMA guide. Additionally, each state's DMV provides information on its web site regarding physician and/or family member reporting of unsafe drivers.

Of course, not all drivers routinely visit their doctor. Yet, the principal factors leading to increased crash risk suggest that a periodic physical and mental (cognitive) evaluation would be potentially life saving.

Short of a clinical diagnosis of a cognitive or physical impairment, observed unsafe driving performance forms the basis for voluntary reporting in several states (i.e. California, Missouri, et al). If the behavior of an older driver becomes erratic, then a family member, neighbor, or employer could intervene by filing a report with the state. These reports typically lead to an evaluation of the affected driver by a medical board or other professional committee (similar to the outcome of physician reporting practices). Generally, these reports must be made in writing and include contact information for the complainant.

Changes in Licensing Practices

State-issued driver's licenses are a key to mobility, continued employment, and sense of independence or vitality. Removal or restriction of driving privileges is highly emotional and will likely force radical changes in the life of those drivers affected; however, this may be the last line of public safety's defense against medically unqualified drivers. Testing programs can be used to safely extend driving privileges for as long as possible, but many states do not re-test drivers upon license renewal (at any age).

In most states, a renewal notice is sent automatically if there are no outstanding suspensions or revocations. Many allow renewal by mail or online (no in-person visit required), and those renewal periods range from two to eight years. In the past, a Tennessee resident's license never expired after age 65! (Tennessee is presently moving all drivers into a standard five-year renewal cycle.)

Some states have introduced "accelerated renewal" cycles after some threshold age has been met. These shorter renewal cycles provide opportunities to test the qualifications or fitness to drive of renewal applicants. Some restrict renewal by mail privileges after a certain age, requiring applicants to appear before a clerk.

Regardless of renewal cycles, some states have added special provisions for older drivers such as vision checks and road tests. California is presently evaluating a new eye test call the Pelli-Robson contrast sensitivity test as an alternative to the Snellen eye test that was originally developed in 1862 to measure sharpness of vision, not general vision under low-contrast situations common to driving. According to a recent *Sacramento Bee* article, "The Pelli-Robson contrast sensitivity test shows if drivers will have trouble seeing dark objects in the shadows or light objects, such as a gray truck, in the fog." Other states have considered the need to modify vision testing based on modern research.

A state-by-state summary of licensing procedures for older drivers was recently updated at the Insurance Institute for Highway safety (http://www.iihs.org/laws/state_laws/older_drivers.html).

Some states' licensing laws specifically prohibit administrators from treating people differently solely by virtue of advanced age. This is an example of the confusion surrounding the underlying cause—medical condition, not age; however, it can be argued that when tying special testing to age, it becomes an age issue.

States should be careful to balance the need to properly protect the public from unsafe drivers, but the manner in which that goal is accomplished will not likely be through changes to licensing alone:

- A proper balance of public safety and personal freedom must be ensured.
- The goal of testing should be to properly qualify drivers, not to remove privileges based on age alone.
- Unfair discrimination based on age should be avoided.
- Social safety net should be in place, easily accessed, and fully funded (accessible, dependable transit options for both urban and rural citizens).

Summary

Older drivers are typically very safe. They take few risks and may depend on their ability to drive for social interaction, getting to the grocery store, and perhaps to earn an income. Unfortunately, crash rates based on miles driven are high among older drivers.

Despite a multitude of factors that lead to crashes, older drivers have an increased risk of crash and fatality due to:

- declining visual acuity, changes in the shape of the eye, cataracts, etc.

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- decreases in cognitive ability, especially with the onset of various disorders such as Alzheimer's or dementia
- fragility or a susceptibility to be injured and difficulty recovering from extensive injuries
- potential impairment through proper use of medication(s)
- onset of, and complications related to, age-associated diseases

Minimizing the potential for crashes and injuries incurred by older drivers can be accomplished when:

- Self-monitoring and tailored education are treated as important by the older driver.
- A monitoring program is in place to notice key behavior or performance changes and provide positive coaching feedback as needed.
- Physicians are part of the team, monitoring key health issues and providing professional support to the driver and his or her family (and employer in the case of commercial motor vehicle drivers).

- Licensing programs treat drivers respectfully and fairly, but with public safety properly balanced.
- Government agencies provide practical alternatives to driving when driving is no longer an option for older citizens. ■

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Leadership Summit Meeting • Orlando, FL • April 2007

Your Underwriting Section Committee met during the CPCU Society's 2007 Leadership Summit to create an action plan to serve the members of the Underwriting Section.



Sections Strategic Implementation Task Force Report Summary

by Kathleen J. Robison, CPCU, CPIW, ARM, AU



Kathleen J. Robison, CPCU, CPIW, ARM, AU, has more than 30 years of experience with leading claims organizations, and possesses a wide range of commercial and personal insurance coverage knowledge and applicability. K. Robi & Associates, LLC, which she founded in 2004, provides customized consultant services in the property and casualty insurance fields, including expert witness testimony, litigation management, claims and underwriting best practices reviews/audits, coverage analysis, and interim claims management. She can be reached at (423) 884-3226 or (423) 404-3538; or at info@krobiconsult.com.

A Brief History

At the CPCU Society's 2005 Annual Meeting and Seminars, the Board of Governors created a Sections Strategic Task Force. The task force developed a strategic vision for sections. It was presented to the Board at the 2006 Annual Meeting and Seminars in Nashville, in September.

The Sections Strategic Task Force proposed the sections' strategy should be, "to position sections as a provider of readily available, high-quality, technical content to stakeholders." The level of content and delivery would vary based on the audience. To successfully accomplish the strategy, the task force recommended a series of strategic initiatives aligned with four key perspectives: Organizational Structure (OS), Leadership Development (LD), Membership (M), and Value-Added Services (VA).

The Board of Governors accepted the report and referred it to the Executive Committee to develop detailed recommendations for consideration by the Board at the April 2007 Leadership Summit meeting. The Executive Committee created the Sections Strategic Implementation Task Force to develop the detailed recommendations.

Board Approved

The Sections Strategic Implementation Task Force outlined implementation steps for each of the Sections Strategic Task Force's categories of recommendations. On April 20, 2007, the CPCU Society's Board of Governors approved and accepted the Sections Strategic Implementation Task Force report.

The Board approved the formation of the Interest Group Resource and Governance (IGRG) Task Force to manage the implementation of the various tasks recommended except for OS4—Open Interest Groups to all Society members.

The Board requested that the Sections Strategic Implementation Task Force remain in existence to undertake the necessary research on OS4 and present to the Board at the 2008 Leadership Summit meeting.

The Board decided it will announce at the 2007 Annual Meeting and Seminars in Hawaii the timetable for moving from the name sections to interests groups. Until that time the title will remain "sections."

This article summarizes the Sections Strategic Implementation Task Force report and recommendations.

Task Force Members and Structure

W. Thomas Mellor, CPCU, CLU, ChFC, chaired the task force. Members of the task force were: Karl M. Brondell, CPCU; Nancy S. Cahill, CPCU; Robert Michael Cass, J.D., CPCU; Donald William Cook, CPCU; Todd G. Popham, CPCU, CLU; Kathleen J. Robison, CPCU, CPIW, ARM, AU; Brian P. Savko, CPCU, CLU, ChFC; and John J. Kelly, CPCU, as CPCU Society liaison. Tom Mellor, CPCU; Nancy Cahill, CPCU; and Kathleen Robison, CPCU, served on or consulted to the previous Sections Strategic Task Force.

The original Strategic Sections Task Force distributed its recommendations into four categories: Organization Structure, Leadership Development, Membership, and Value-Added Services. The current task force agreed on a division of work and organization structured around these four categories, and divided themselves into four teams. Each team identified steps to be undertaken in order to implement the recommendations.

Special Note: The task force understands that the actualization of its recommended implementation process will not be

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accomplished quickly. It will require the contributions, deliberations, and efforts of a large number of Society volunteers. It will also take time. The task force believes a two-to three-year timetable is realistic.

Organizational Structure

OS1—Re-brand Sections as Society Interest Groups

1. Authorize and implement new interest group names specifically

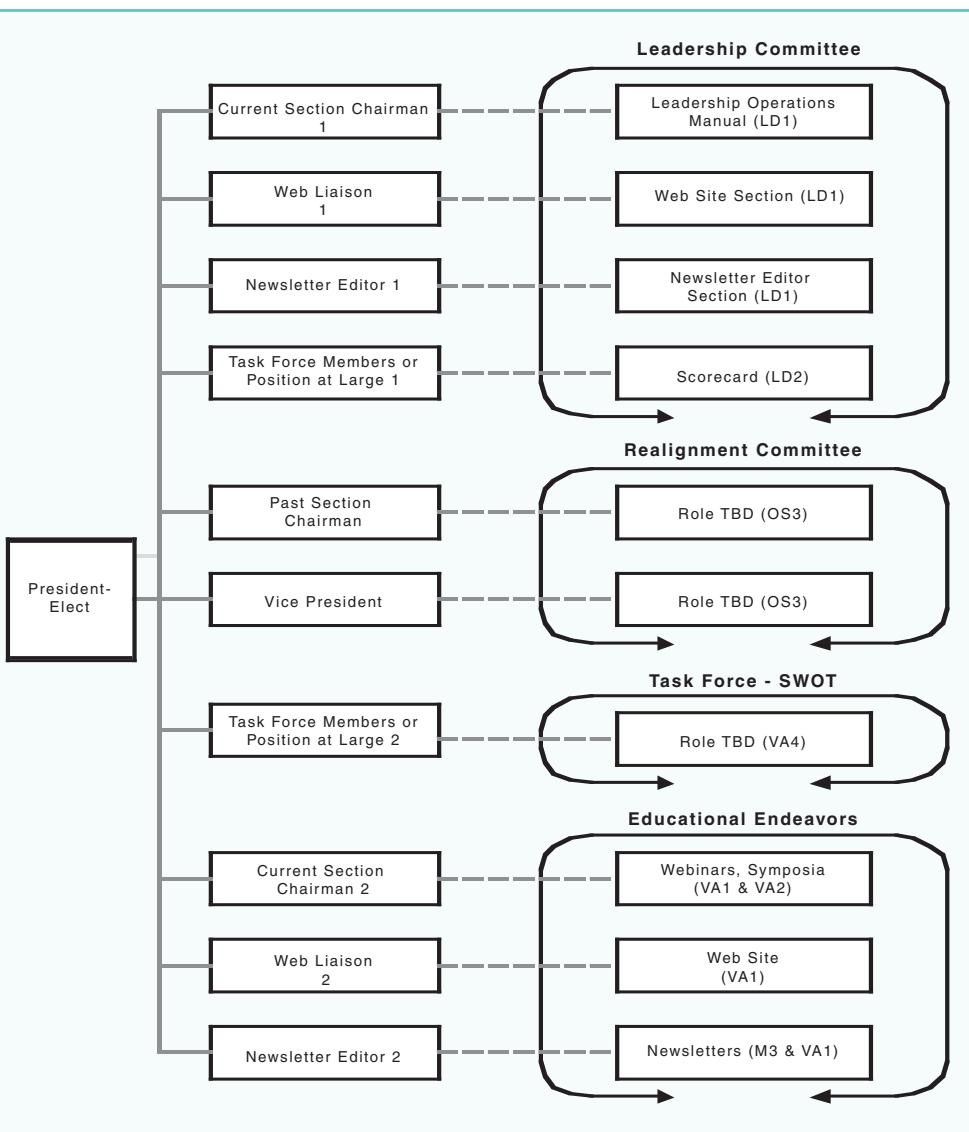
using the words *Interest Group* in the title (e.g. *Claims Interest Group*) and formally identify interest groups collectively as CPCU Society Interest Groups.

2. Determine appropriate interest groups that should exist by aligning the groups with current industry functions or by roles (such as leadership or project management).

3. Institute changes in verbiage from Section to Interest Group in all formal Society communications and materials (current sections publications, Society web site, stationery, etc.) to be effective on a specified date.

4. Communicate the changes to Society members, including impacts and rationale, via print and electronic media. This should be done in advance of the change date and also after the change date.

Table 1
Proposed Interest Group Resource and Governance (IGRG) Task Force and Sub-Task Forces



Special Note: The re-branding of sections as Society Interest Groups will be announced at the 2007 Annual Meeting and Seminars in Hawaii. A timetable will then be established for items 3 and 4.

OS2—Create CPCU Society Interest Group Resource and Governance (IGRG) Task Force

To manage and direct all of the changes recommended, the task force proposes the formation of the Interest Group Resources and Governance Task Force (IGRG). The IGRG's leadership and direction will provide continuity, consistency, and quality to this crucial transformational project.

The CPCU Society's president-elect will chair the IGRG. Each of the other members will be responsible for chairing a specific subcommittee dedicated to the implementation of a recommended group of tasks. (See Table 1.)

The recommended composition and responsibilities of the IGRG members are as follows:

- Society president-elect—chairman.
- Society vice president—assistant to the committee chairman/realignment.
- Two current section chairmen—leadership operations manual/educational webinar and symposia.
- One past section chairman—realignment.

- Two current or past web liaisons—leadership operations manual and web liaison section/educational endeavors (web site).
- Two current or past newsletter editors—leadership operations manual and newsletter edition section/educational endeavors (newsletter).
- Two task force members from the 2006–2007 task force or from the 2005–2006 task force. Immediate responsibilities to include Scorecards/SWOT Analysis.

Special Note: These recommendations encompass both the breadth and depth of sections' organization, products, services, and membership. The Sections Strategic Implementation Task Force quickly realized the enormity and complexity of the undertaking. It requires a large number of section and Society volunteers. If the reader is interested in servicing on this task force please let the Society know by e-mailing your name and e-mail address to Mary Drager at mdrager@cpcusociety.org.

OS3—Assess Current Sections and Align them with Major Industry Functions

1. Form a representative group of section members to determine the best alignment, including the possibility of combining, broadening, or eliminating current sections, and/or fostering the creation of new groups based upon industry findings. This group should undertake a research effort that focuses on aligning groups with current industry functions. (See Table 1).

OS4—Open Interest Groups to All Society Members

1. Determine the reaction and position of companies and members to this proposed change—especially if section membership dues are incorporated into general membership dues.

2. Determine a dues policy for members who wish to belong to more than one interest group (i.e. should they be surcharged for this?).
3. Determine a dues policy for lifetime retired members who wish to belong to one or more interest groups.
4. Determine the expense impact to the Society that would probably result from a significant increase in the interest groups' collective population.
5. Determine the impact to Society administration from an organizational, staffing need, and technological perspectives that could result from a significant increase in the interest groups' collective population.
6. Examine any potential negative consequences (e.g. possible dilution of perceived value in belonging to an interest group) that might result from including interest group membership within general membership.

Special Note: The Board requested that the Sections Strategic Implementation Task Force remain in existence to undertake the necessary research on OS4 and present to the Board at the 2008 Leadership Summit meeting. The IGRG will not be responsible for OS4.

Leadership Development

LD1—Formalize Standard Section Leader Training and Orientation for the Chairman, Newsletter Editor, and Web Liaison. This Training Will Include an Operations Manual and an Updated List of Best Practices.

1. Form a task force to develop an operations manual on leadership requirements for interest group chairmen, web liaisons, and newsletter editors. The task force should establish a formal process

for continuously updating the best practices. This should be a how-to manual on how to lead a section. The operations manual should include an overall section on the section leadership responsibilities. Within the operations manual there should be specific sections devoted to the responsibilities, tasks, checklists, timelines, etc. for the chairman, web liaison, and the newsletter editor.

2. Provide leadership training for incoming section chairmen, web liaisons, and newsletter editors. This training should occur before the person assumes his or her section leadership position. This training should occur at Leadership Summit, mid-year meetings, or chapter sponsored Society/NLI courses. Variations in leadership experience among interest group leaders should be taken into consideration when developing the leadership training. Outgoing interest group chairmen should continue to be a resource to the incoming leaders.

Leadership training for incoming section leadership should consider that those who have no leadership experience will require both basic management training (organizing, planning, controlling, decision making, motivations, and leadership), as well as training in “virtual leading” and/or leading volunteers. Those who have prior on-the-job leadership experience may require leadership techniques for motivating volunteers and/or leading “virtual teams.”

3. In addition to leadership training, specific training for incoming web liaison and newsletter editors should be established. Two task forces should be formed, one for the web liaison position and one for newsletter editors. The task forces should develop the training curriculums for both positions.

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Training could be done by Society staff in Malvern or as an online course. The outgoing web liaisons and newsletter editors should continue to be a resource to the person coming into the positions.

LD2—Create a Developmental Scorecard for Section Volunteers and Society Members. (This is something that section members and volunteers can present to their employer evidencing the technical and developmental value of membership.)

1. A task force should be formed to develop a “tactical scorecard,” that can be used by section leadership to measure the section’s progress toward strategic goals and related tasks.

The scorecard criteria should be developed based on the results of the section SWOT analysis, as proposed under section VA4—Conduct SWOT analysis for each section. Each criterion should have a set of tasks, which are required to achieve the goal.

2. A task force should be formed to develop a “value scorecard,” which can be used by section members to evidence the technical and developmental value of membership. Consideration can be given to expanding this scorecard to the value of membership in the Society, not just interest group membership. Development of the “value scorecard” should consider:

- a. The value to the member and the member’s employer of involvement in particular activities.
- b. The role of the individual during the particular activities, i.e. leader, committee member, etc.
- c. The skills and experience obtained as a result of involvement and role in particular activities.

Membership

M1—Create Value Statements and other Communications Tools to Promote Interest Groups

1. Collect the value statements and other communications currently used by the existing sections. Assess the current state of the value statements and communications against the new interest group branding strategy.
2. Assess and incorporate branding strategy for interest groups.
3. Solicit feedback from interest groups on gaps between current state and future state (focus groups, surveys, etc.).
4. Draft language for new value statements and communications, targeting the increased value (technical content, reduced cost, etc.) to existing members and incorporate new value statement and communications messages into society publications.

M2—Establish Affiliations between Interest Groups and other Industry Organizations (e.g., PLRB, The “Big I,” and RIMS)

1. Identify key organizations to focus our research by soliciting feedback from sections and the CPCU Society.
2. Assess the current collaboration between interest groups and key industry organizations (focus groups, surveys, etc.).
3. Assess the current collaboration activity against new opportunities with joint sessions with interest groups and key industry organizations.
4. Draft and validate an action plan to build collaboration.

5. Confirm plan with interest groups and industry organizations.

6. Publicize new direction in CPCU Society publications.

M3—Refresh the Interest Group Newsletters

1. Examine alternative publication options to current newsletters, including the potential use of a magazine-styled compilation of comprehensive interest section information and articles in a journal-style publication.

M4—Designate Liaison(s) to Promote Interest Group Benefits to Chapters, Major Employers, and the Insurance Services Community

1. Identify the key major employers and insurance services community organizations.
2. Assess the current outreach underway between interest groups and local chapters, major employers, and the insurance services community (focus groups, surveys, etc.) and identify gaps.
3. Identify responsibilities of a liaison and prepare training conducted for liaisons by the Society.
4. Identify liaison volunteers, establish a process for selecting them, and introduce and promote them through various industry publications.

M5—Strengthen Connection between CPCU Society and Accredited Risk Management and Insurance Degree Programs

1. Identify the key major insurance degree programs to focus our research by soliciting feedback from sections and CPCU Society.

2. Assess current outreach underway between sections and key insurance programs (focus groups, surveys, etc.).
3. Identify new collaboration opportunities with joint sessions between interest groups and industry organizations and develop and implement an action plan to institute collaboration between interest groups and insurance degree providers.
4. Publicize new direction in CPCU Society publications.

Value-Added Services

VA1—Develop Consistent Format and Content Standards for Core Interest Group Offerings (Newsletter, Web, Symposia)

1. Create a committee for each—newsletter (this dovetails with M3 and might best be accomplished there), web, symposia. Each committee should be composed of section members responsible for the format. Each committee chairman would be a member of the Interest Group Resource and Governance Committee.
2. The committee establishes guidelines and templates for each: newsletter, web, symposia.
3. The committee is responsible for coaching and mentoring the sections on the guidelines and templates.

VA2—Expand Delivery Methods of Technical Content

1. Establish a vehicle, guidelines, and templates for webinars. The webinars would focus on pertinent and timely topics that are delivered in one hour or less. The structure should be such that it will easily facilitate the rapid development and presentation of a topic.

2. Establish guidelines, templates, and vehicles for teleconferences and videoconferences.
3. Expand delivery of technical content by partnering with other insurance organizations and presenting at their meetings.
4. Each committee outlined in VA1 would also be charged with the responsibility of identifying avenues to expand the delivery methods of technical content.

VA3—Encourage Interest Groups to Convert Highest Rated Annual Meeting Technical Seminars into Symposia

1. Within 30 days of the Annual Meeting and Seminars, the Interest Group Resource and Governance Committee selects three to five technical seminars. The selection is based upon the rating feedback sheets, number of persons attending the seminars, and the pertinence of the information content.
2. The Society and the section seminar liaisons will format and package the seminars making them available to the chapters and as regional meetings as in VA3.
3. The top three to five seminars would be packaged into a day of training, knowledge transfer, and held four to six months after the Annual Meeting and Seminars at three different strategic sites around the country.

VA4—Conduct SWOT Analysis for Each Interest Group; Implement Findings

1. Introduce the SWOT concept to the section chairmen during the sections leadership meeting with reference material at the Leadership Summit in Orlando.

2. At the 2007 Leadership Summit, the section chairmen would identify a committee member responsible for the SWOT analysis as a “point person” for contact.
3. Designate a SWOT coordinator to liaison and assist the section SWOT “point persons” in conducting the SWOT within each section. The SWOT coordinator would be a member of the section task force, and ideally would transition to serve on the initial Interest Group Resource and Governance Committee. This group would develop a SWOT template to be used by all sections. In addition, they would develop and conduct a SWOT training program.

4. Before the 2007 Annual Meeting and Seminars, a SWOT training program for section chairmen and all other interested section committee members would be conducted through an appropriate medium.
5. At the 2007 Annual Meeting and Seminars, the section chairmen will conduct the SWOT analysis with his or her committee and complete the SWOT templates.
6. Society Interest Group Resource and Governance Committee would review, coordinate, encourage, and challenge each interest group to then create interest group goals based upon the SWOT. ■

Don't Miss Your Underwriting Section's Breakfast and Seminar at the 2007 Annual Meeting and Seminars in Honolulu

Underwriting Section Breakfast

Monday, September 10 • 7 – 8:30 a.m.

Decision Management: Advances in Real-Time, Risk-Driven, Rules-Based Underwriting Decisions

Monday, September 10 • 10:45 a.m. – 12:45 p.m.

Learn from an industry leader in the development of rules-based, predictive model-enhanced, decision systems and from underwriting executives who have implemented new underwriting decision strategies based on these systems. While the decision tools are readily available for underwriting, claims, and new product offerings within property and casualty, life, and specialty insurance, this seminar will focus on the real benefits seen by two insurers focused on enhancing and advancing their underwriting practices.



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Visit www.cpcusociety.org for details and to register online, or call the Member Resource Center at 800-932-CPCU (2728), option 5.

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Underwriting Section Chairman

J. Brian Murphy, CPCU, ARM, ARe, AMIM
Brokers Risk Placement Services
Phone: (312) 930-6131
E-mail: murphyb@brps.com

Underwriting Trends Co-Editor

Gregory J. Massey, CPCU, CIC, CRM, ARM, PMP
Selective Insurance Company
Phone: (800) 777-9656, ext. 1230
E-mail: greg.massey@selective.com

Underwriting Trends Co-Editor

Stephen W. White, CPCU
State Farm Group
Phone: (661) 663-5311
E-mail: steve.white.bnbg@statefarm.com

Sections Manager

John Kelly, CPCU
CPCU Society

Managing Editor

Michele A. Iannetti, AIT
CPCU Society

Design

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

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