



June 2015



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## Johnston and Avery Take Top Honors at 2015 Montana Trusted Choice Big "I" Junior Classic by Bryan Hall, CIC

Bozeman, MT --- June 18, 2015. Big "I" Junior Golf Classic at Bridger Creek Golf Course in Bozeman, MT.

Ryggs Johnston of Libby lead the boys division after two rounds of golf, scoring a 71 the first day and 67 the second day to take 1st place. Sean Benson of Billings shot a 71 the first day and a 69 the second day to finish second place in the boys division.

Tiegan Avery of Kalispell shot a 72 day one and a 72 day two to Win the Girls division. Kortney McNeil of Billings shot a 73 on day one and a 77 on day two, finishing second place.

Full results [available here](#).

The top two boys and top two girls, sponsored by the Independent Insurance Agents of Montana, will go on to compete in the national championship at Prairie Dunes Country Club in Hutchinson, KS, August 3rd ---6th, 2015.

The Trusted Choice Big "I" Junior Classic is the annual state qualifier for the Trusted Choice Big "I" National Championship, the third oldest junior golf event in the United States. More than 4000 boys and girls, ages 13-18, compete in over 300 elimination rounds throughout the United States. It is one of the most widely acclaimed Junior Golfing events in the US.

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# Big “I” Applauds Senate Introduction of MLR Legislation

*Bill aims to preserve consumer access to agents and brokers*

WASHINGTON, D.C., June 24, 2015 – The Independent Insurance Agents & Brokers of America (IIABA or the Big “I”) today expressed its support for S. 1661, the “Access to Independent Health Insurance Advisors Act,” bipartisan legislation sponsored by Sens. Chris Coons (D-Delaware) and Johnny Isakson (R-Georgia). The bill would clarify that agent compensation is not part of the Medical Loss Ratio (MLR) formula as enacted in the Affordable Care Act (ACA).

The ACA established MLR requirements for insurance carriers that went into effect on Jan. 1, 2011. The law mandates that at least 80% (individual and small group) or 85% (large group) of premiums collected by the carrier must be spent on claims payments and “health care quality improvement.” These restrictions mean no more than 20% or 15% may go towards “non-claims costs” such as profits, advertising, administrative costs, etc. If a carrier does not meet these ratios, they must issue rebates to the consumer.

The law did not statutorily address how to classify agent compensation under the MLR formula. Unfortunately, although agent compensation does not go toward insurers’ bottom lines, through the regulatory process, agent compensation was included as a part of the “non-claims costs” category. The Coons-Isakson legislation corrects this issue by specifically excluding agent compensation from the MLR formula.

“The ACA MLR regulations have had a damaging impact on insurance agents, but more importantly also on the consumers who rely on those agents for ad-

vice,” says Charles E. Symington, Big “I” senior vice president for external and government affairs. “This legislative fix, as introduced by Sens. Coons and Isakson would clarify that agent compensation is not an insurance company administrative expense and would provide much needed relief to agents and brokers who continue helping consumers navigate the post-ACA health insurance marketplace.”

The impact of the MLR rules on agents and brokers has been damaging as many insurance carriers have significantly cut their agent compensation in an effort to comply with the regulations. In turn, this has reduced consumer access to agents and brokers, leading to a detrimental effect on essential services provided such as guidance in claims processing and tailoring health plans to fit the needs of individuals and businesses.

“The Big ‘I’ is grateful to Sens. Coons and Isakson for introducing this critical legislation in the Senate,” says Wyatt Stewart, Big “I” director of federal government affairs. “Enactment of this bill would help insure that the professional, licensed guidance of insurance agents remains available to consumers.”

*Founded in 1896, the Big “I” is the nation’s oldest and largest national association of independent insurance agents and brokers, representing a network of more than 300,000 agents, brokers and their employees nationally. Its members are businesses that offer customers a choice of policies from a variety of insurance companies. Independent agents and brokers offer all lines of insurance. Web address: [www.independentagent.com](http://www.independentagent.com).*

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# IIAM/MMIA Special Events CGL Insurance Offers Great Rates

by John S Menyhart, CIC, WA Mitchell Agency

It's Special Events season for Montana city parks & county fairgrounds. If you are an IIAM member, take a look at the MMIA [Special Event Liability Insurance Program](#) (pricing examples begin on page 13).

The program provides Commercial General Liability Insurance coverage for third party events held on MMIA City Property or MACO County Property.

- The Municipality is named as "Additional Insured" Primary & Non-contributory
- Premium(s) are based on simple Risk Levels 1, 2 & 3 and the number of people participating in the event. Liquor Liability is available if required.
- \$1,000,000 or \$2,000,000 Commercial General Liability limits are based on the Risk & Size of events.

The rates are so attractive, they may beat the Umbrella charge for the second million on your existing \$1M policy.

Contact your local city or county government for permit issues and insurance limits required. You may want to work with your mayor or city attorney to help them understand insurance issues and define limits in local city ordinance, like I did.

Don't forget to advise that the Event Host's policy does not automatically cover all exhibitors, vendors, food caterers, bar caterers and/or musicians, who may also need to be insured. If a commercial vendor, I recommend to the City that they also require a Certificate of Insurance for proof of Work Comp and Business Auto.

- The Special Event Liability Insurance Program is written as a "Master Policy" issued to MMIA.
- A "Certificate of Insurance" is issued per event. This keeps the program simple, minimizes paperwork and keeps premiums low.
- Billing is Agency Bill. Advance payment is required to issue a Certificate of Insurance.
- There is a MINIMUM 10 DAYS to quote the event.
- Event must be on city or county property.

W.A. Mitchell Agency has been using this program for several years; so get on board. If you are already using the Special Events Liability Program, what do you think? [Let us know!](#)

Download [forms and instructions here](#), or contact [Joni Pancoast](#) at (406) 442-9555 extension 100.

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# Are your clients covered?



## **RLI Personal Umbrella Policy**

### Do they:

- ◆ Own a home?
- ◆ Own a car?
- ◆ Want to protect future earnings?
- ◆ Want to protect their assets against a lawsuit or judgment?

*A stand alone personal umbrella policy is designed to protect against a catastrophic lawsuit or judgment by substantially increasing overall liability at a low cost.*

## **Do they run small businesses out of their homes?**

*Most homeowners/renters policies don't cover liability or damage to property from business activities, so clients aren't covered when business equipment or inventory is stolen or damaged.*

### To learn more contact:

Joni Pancoast  
IIA of Montana  
3131 Dredge Dr  
Helena, MT 59602  
406.442.9555 x100  
processing@iiamt.org



### Features:

- Liability limits up to \$1 million
- Satisfies most event or trade show liability requirements
- Business property protection up to \$50,000 (\$250 deductible)
- Optional coverage for money and securities, also electronic media
- Loss of income coverage
- Premiums starting as low as \$150 annually



# Annual Convention to Feature Event at Old Yegen Ranch in Billings

The Independent Insurance Agents of Montana annual convention is being held September 21-22 at the Northern Hotel in Billings.

Sources close to the planning report the opening night festivities on September 21st will be held at the old Yegen Ranch in Billings. Pitchfork fondue, cow patty bingo and cowboy-style entertainment are rumored to be in the works.

Further reports indicate additional gatherings over the two day convention will include

- Cyber Liability
- Claims Panel moderated by Jim Smith
- Opening lunch with annual conferment
- Keynote Speaker:  
[Oratium, The Message Architects](#)
- 2015 Legislative Update



- Tradeshow
- Choose Your Own Adventure with the Sponsors (off-site free events)
- Banquet and the IIAM Awards Show

Keep your eyes peeled for registration information, and more details. Follow us on Facebook, and be the first to get the scoop!

And don't forget to save the date: September 21-22, 2015, Annual IIAM Agents' Convention, Billings.

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## ***Coming Soon!***

# Combined Earthquake, Flood and Landslide Policy

IIAM is proud to announce we are in the final stages of offering a new members-only benefit! The Homeowners Catastrophe Insurance Trust (HCIT) personal lines DIC policy insuring the perils of Earthquake, Flood and Landslide.

The passage of HB 94 by the 64th Montana Legislature paved the way for this multi-peril policy to be offered in Montana.

HCIT was established in 1975 to help Big I agents fill a valuable niche for their clients. HCIT is

also a NFIP equivalent policy (required now by most lending institutions) which means that you can use HCIT in lieu of NFIP for your moderate flood risk clients.

Coverage is through Certain Underwriters at Lloyds, London.

A formal announcement will be communicated to members, and program information along with downloadable forms will be made available on our website at that time.

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# THE ABCs OF D&O

## Addressing the Coverage Needs of Directors & Officers

by Chris Christian, CIC, RPLU

As the market for privately-held Directors and Officers Liability Insurance (D&O) continues to contract, it becomes more and more difficult to find quality coverage for the management liability and operational corporate conduct exposures of entities.

There's no solution on the horizon for the entities, other than carefully poring over policy language and picking only the best forms. But there is a way to address the needs of the insured persons in a much more robust fashion than what we're seeing in garden-variety, privately-held D&O policies. The solution is a Side A Difference in Condition (DIC) policy.

In order to understand how this policy works to protect the Insured Persons, let's talk for a moment about the structure of a regular privately-held D&O policy. Although the nomenclature sometimes differs with certain carriers, and a few will lump these concepts together, a traditional privately-held D&O policy is structured as follows:

### Side A

Coverage for non-indemnifiable losses of the Insured Persons. These are the claims that the directors (Ds) and officers (Os) must pay out of their own pockets, whether because the entity refuses to indemnify them, is unable to indemnify them, or is prohibited by law from indemnifying them. Keeping in mind at

all times that Ds & Os are personally liable for their wrongful acts, you can understand how important it is to have coverage for this exposure.

### Side B

Coverage to indemnify the entity for its indemnification of the Insured Persons. Contrary to the scenarios that give rise to the need for Side A coverage, in these claims, the Insured Persons' defense and liability are indemnified (or paid on behalf) by the entity. Side B coverage then indemnifies the entity for those expenses (or pays on its behalf).

### Side C

Coverage for claims made against the entity itself. This coverage defends and indemnifies the entity when a claim is made that it conducted itself inappropriately, so long as the alleged wrongful act does not properly belong under some kind of other insurance (such as general or professional liability, work comp, etc.), or is otherwise uninsurable.

Over time, carriers have loaded up exclusions on Side C; then they have bled over into Side A, such that there is sometimes virtually no coverage left in the policy. When I see one of those placements, I often remark that the insureds would get more value out of their money if they used their D&O premium to take their employees on a cruise.

There are two ways to obtain good, high-quality coverage for your Ds & Os in this situation:

- 1) Purchase a Side A-only policy, and forget about the typical ABC format. Such a policy should not be burdened with the same kind of exclusions that have arisen due to the entity coverage on a privately-held

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policy. In fact, there should be only the smallest handful of exclusions, much like we see in publicly-traded forms; or...

2) Go ahead and place the privately held policy for what good coverage is in there, and then place a Side A DIC policy in excess of it.

The Side A DIC policy will provide coverage for the Insured Persons on a broader form than the privately-held form does. There are hardly any exclusions in a Side A DIC form, and although it functions as an excess layer with regard to when its limits will kick in, it does not follow form of the underlyer as to coverage. So it is both an excess layer in case the limits are exhausted, and acts as an umbrella in case the Insured Persons are faced with a claim that is excluded by the primary policy.

This is obviously a good solution for expanding coverage available to the Insured Persons. However, it can also be used to increase capacity more economically.

Side A DIC limits are priced a bit more aggressively than the primary, or even excess, limits for the whole ABC policy. So if your insured wants more limits for the Ds & Os, it makes sense to use a Side A excess policy (and I would always prefer to provide that on a DIC basis, versus follow form) to increase that limit, rather than increase the entire limit of a policy that also covers Sides B and C.

The challenge here is that you need to sit down with the insured and figure out the limit they want for the entity (which is also shared with the Ds & Os Side A, and the Side B reimbursement), and then how much they want to preserve just for the individual Ds & Os.

Sometimes that's just a bit more math than an insured will want to do. For the most part, though, especially if an insured has outside directors (ones that are not owners), the idea of having limits set aside just for the Ds & Os, and having those limits provide broader coverage than the underlying D&O policy, is an attractive one.

There is one other thing you'll want to make note of when it comes to limits for the Insured Persons: most privately-held D&O policies worth their salt these days include (or can include upon request) an additional limit for the Insured Persons. For example, if you buy a \$1MIL limit of coverage, there may be an additional 500K just for the Insured Persons. You would have an effective \$1.5MIL total D&O limit.

If you're only looking for capacity for the Insured Persons, and the form is all you hoped it could be, then this is a fine way to obtain a bit more limit. However, this increased limit in the policy is subject to all terms and conditions thereof, so if there is a flaw in the coverage that impacts the Insured Persons (which happens a lot more frequently than you would imagine), that flaw carries over to the Ds & Os special limit as well.

The moral of the story is: don't be afraid to look to a monoline Side A DIC policy to expand and enhance coverage for Insured Persons, or to increase capacity. These policies bring great value to the table.

*Reprinted with permission from Resources, National Alliance, Summer 2015.*

**About the Author:** *Chris Christian, CIC, RPLU, first worked for an insurance agency and carrier before specializing in professional liability insurance. She joined U.S. Risk in 2005. Chris is a Ruble faculty member and the publisher of [PLTidBits](#), a website focused on professional liability brokering information.*

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# Cyber Liability, Emerging Issues in Personal Lines Included in Big "I" Webinar Series

The [Big "I" Virtual University](#) "VU" experts offer live instructional webinars throughout the year to keep agents informed on the latest in insurance education, industry updates and technical training. Don't miss out on these upcoming education opportunities:

## [CYBER LIABILITY AND DATA BREACH](#) (3 CE)

Explore first- and third- party exposures to cyber exposures, including data breach, during the "Data Breach, The New Wild West? Cyber Risk Exposures and Insurance" webinar on **Wednesday, July 15**. As the number of cyber incidents continues to rise from hackers and professional computer experts mostly located outside of the U.S., this is a webinar relevant to all staff. [Click here to register.](#)

## [BEYOND THE BASICS: EMERGING ISSUES IN PERSONAL LINES](#) (3 CE)

This **August 26** webinar will examine a number of critical policy form changes that agents must know. Topics include: changes to ISO's new Personal Auto and homeowners program; emerging issues and misunderstood exposures, including hydraulic fracking, and car and home sharing; family member vehicles and rental cars; and insuring vacation risks such as motor homes, cruise ships and overseas travel. [Click here to register.](#)

Consider offering these webinars conference-style in your agency. For more information, contact [VU webinar staff](#).

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## MEMBER CLASSIFIEDS

### [Personal Lines Sales Account Manager – Great Falls, MT](#)

HUB International Mountain States has an opening for a Personal Lines Sales Account Manager in Great Falls, MT. Link to apply: <http://www.hubinternational.jobs/4927>

### [Personal Lines Account Manager – Hamilton, MT](#)

HUB International Mountain States has an opening for a Personal Lines Account Manager in Hamilton, MT. Link to apply: <http://www.hubinternational.jobs/5319>

### [Seeking Experienced Underwriting Professional](#)

EMC Insurance Companies is seeking a Sr. Underwriter-Commercial Lines who will grow and maintain a profitable book of business and positive relationships with our agency force. To apply, complete our employment application and attach a recent resume at: [http://www.emcins.com/Careers/apply\\_V2.aspx](http://www.emcins.com/Careers/apply_V2.aspx)

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## erpetuation for Young Agents

If you're a young agent who has ownership dreams, it's important that you have a plan in place, but do you know where to start? **Join InsurBanc's President & CEO, David Tralka, to discuss the process of acquisition from a young agent's perspective.**

**July 21, 2015, 11:00 a.m. MST.**

In this [free webinar](#), you will learn the steps agency owners take when planning for perpetuation and how you can become part of that plan. As a young agent, you are the next generation of agency ownership.



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