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A Message from the President

2011 Sure Has Been Windy

By Philip S. Yanan, IIASF President



2011 has been a very busy season for weather-related catastrophes – and we haven't even hit July 1st yet. In fact, it has been the busiest tornado season in decades.

So far, 1,151 tornadoes have occurred in the United States this year. That's compared to 1,282 that occurred in all of 2010.

Most of the world's tornadoes form in the US in Tornado Alley during spring and early summer. Warm, moist Gulf of Mexico air collides with cool northern air and creates dangerous storms. Tornado alley is bordered by the Rocky Mountains to the west, the Dakotas on the north, the Gulf Coast to the south, and the Appalachian Mountains to the east.

This year has also been hectic for Tornado Alley's southern cousin Dixie Alley, which spreads from the Lower Mississippi River Valley to the Upper Tennessee Valley, including Arkansas, Mississippi, Louisiana, Alabama, Georgia and the Florida panhandle. Historically, the deadliest storms occur in Dixie Alley. The rolling hills and rougher terrain of the South can hide a tornado's approach until it is too late to get out. The region also has a higher rate of night-time tornadoes.

Unfortunately, we all know what happened in Tuscaloosa. According to the National Weather Service, approximately 150 tornadoes swept past Mississippi and Alabama on April 27, with Tuscaloosa, Alabama being one of the hardest hit areas. According the Tuscaloosa News 181 people died in the storms.

www.recoveryalabama.com is a great, interactive site with information on where and how to help.

The EF-5 storm that tore through Joplin, Missouri on May 22 is now ranked as the deadliest single tornado in the United States since modern record keeping began in 1950. The death toll from that storm is now over 150.

CNN has a great page with ways to help Joplin: <http://www.cnn.com/2011/US/05/23/joplin.how.to.help/index.html?hpt=T2>

In North Carolina, 28 tornadoes have been confirmed for April 16, a record outbreak for any single day in the state.

Wisconsin also cracked its own record. Fourteen tornadoes struck on April 10, the biggest outbreak for any April day in that state's history.

As I was writing this article, it came to light that 15 people were killed in a string of tornadoes that passed through Arkansas, Kansas and Oklahoma on the night of Tuesday, May 24.

(CONTINUED...)



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To date, more than 500 people have been killed in Tornadoes this year, making it the deadliest season since 1953, when 519 people lost their lives.

Of course, all of this activity will translate to financial losses as well. According to EQECAT Inc., insurers are expected to suffer as much as \$10 billion in weather-related losses in the United States this year.

Globally, losses could exceed \$55 Billion. Not even the Oracle of Omaha has been spared. At the company's annual meeting on April 30, Berkshire Hathaway CEO Warren Buffett said that this could be the company's first year with an underwriting loss in almost 10 years – mostly due to the earthquakes in Japan and New Zealand.

I haven't even mentioned the flooding along the Mississippi River. That's another article altogether. I'm hoping that this means that we will have a quiet hurricane season. NOAA and Colorado State have both predicted higher than average tropical activity this year, but we can't have the busiest tornado season in decades AND a busy hurricane season together in one year right? RIGHT? (Good Lord willing... knock on wood... Ojala!... salt over my shoulder... penny in the well... etc.)

Once again, we are made painfully aware of a few simple facts. The wind doesn't JUST blow in South Florida. Mother Nature distributes her wrath. Windstorm means more than hurricanes. Although not a cure-all, building codes make a big difference. As homes are rebuilt in Tornado and Dixie Alley, maybe we'll see more CBS walls and strapped roof trusses.

St. John's Medical Center in Joplin was built to withstand 300 MPH winds. Five patients and a visitor were killed when the tornado hit. Engineers and hospital officials are trying to determine if the building can be salvaged or will have to be rebuilt. The building was weakened and damaged, but it remained standing.



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Upcoming Events

- July 13, 2011** **Miami YAC Cocktail Reception at the LAAIA Convention** - Westin Diplomat
Sponsored by Progressive and AAMGA
Register for the event online: [CLICK HERE](#)
Free for YAC Members - \$25.00 all others
To join Miami YAC or to renew your membership - [CLICK HERE](#)
- July 15, 2011** **IIASF Joint Association Luncheon with LAAIA at the LAAIA Convention**
Sponsored by Fidelity National, GMAC, Ascendant
Guest Speaker - CFO Jeff Atwater
Register online: [CLICK HERE](#)
- Aug. 10, 2011** **Three Hour CE by Meade Collinsworth and Membership Luncheon**
Sponsored by Socius Insurance
- 9:00 a.m. - 12:00 Noon - CE** LEED®, Follow or Get Out of the Way:
Florida Legal and Insurance Issues Arising from the Leed® Potential Minefield Continuing Education Class by Meade Collinsworth, Leonard Townsend, Brian Lomel Course ID # 77520, Course Offering #928699—3 hours intermediate 220 General Lines (P&C) 9:00 - 12:00 Noon (registration begins 8:30 a.m.)
- 12:00 Noon - Lunch** - Guest Speaker **Joseph Peiser**
Joseph Peiser, COO of RMI Consulting, brings a vast knowledge of insurance and risk management. Previously his career spanned two decades at Marsh Inc., where he held increasingly significant positions. Peiser was the highest level executive at Marsh indicted in Elliot Spitzer's attack on the insurance industry, and was acquitted on all counts. If you have ever wanted to get an insider's perspective on the bid-rigging scandal, this is your chance.
- Register online: [CLICK HERE](#)
- Sept. 22, 2011** **Annual Installation of Officers & Directors** - Doral Park Country Club
The Annual Installation of Officers & Directors
7:00 p.m. Cocktails - 8:00 p.m. Dinner
Register online: [CLICK HERE](#)
- Oct. 12, 2011** **Membership Luncheon and Citizens Training**
Guest Speaker: **Tom Poole from Allstate Insurance regarding PIP Fraud**
- Lunch Meeting, 12:00 Noon**
Members and First Attendee: Free
Each additional attendee: \$25.00
Non Members: \$35.00 each
- Using Citizens' Checklists and More, 9:00 a.m. - 12:00 Noon**
No CE Credits - \$35.00 per person (*special pricing offered*)
This class will enable agents currently writing commercial policies to become more familiar with the submission process.
- Citizens Wind Loss Mitigation, 1:30 - 2:20 p.m.**

1 CE Credit - \$35.00 per person (*special pricing offered*)

This class focuses on the features designed to strengthen buildings against windstorm damage and the premium discounts available for policyholders.

Citizens Training Class – Inspections & Outreach 2011, 2:30 – 4:30 p.m.

No CE Credits - \$35.00 per person (*special pricing offered*)

Citizens developed this property inspection program to verify that features reflected in the policy records are accurate and that policyholders receive appropriate premium credits.

SPECIAL PRICING – register for all three classes for \$80.00 – SAVE \$25.00

Register Online - [CLICK HERE](#)

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If I could only predict the future...

Leigh Needelman, IIASF Director

My wife has always told me that before you ask the question, you had better know the answer! If I could predict the future; I could position my agency for smooth sailing with my clients. Smooth sailing into the future requires us as agents to know the answer to the question: What impact will the world natural catastrophic exposures play on the cost of future insurance to our clients in the United States and right here in South Florida?



More specifically, what is the impact from the Japanese earthquake and tsunami to us here in the U.S.; the massive flooding in the Southeast United States; and the sudden outburst of catastrophic tornadoes that tore through the Midwest and Southwest United States earlier this spring and their relevancy to us right here in South Florida?

To understand the answer to the question, one must first understand that disasters outside the State of Florida whether in the United States or abroad can have an indirect impact on premiums here because they get factored into reinsurance rates. After the 9/11 unfortunate disaster in New York; we all paid more premium. The most common question to an agent from the public was, "Why did my carriers renewal premium go up even though they had no catastrophic losses?" Just as the public purchases insurance as a hedge against risk from us as agents, the insurance companies also purchase insurance known as reinsurance, to protect themselves from catastrophic losses. In other words, they lay off some of their inherited risk to others called reinsurance carriers at a premium cost to them as well.

According to Towers Watson, a leading global professional services company that helps organizations improve their performance through effective people, risk and financial management indicate that "losses from worldwide catastrophes in 2010-2011 and release of RMS version 11.0 will cause reinsurers to push for higher rates around the globe..." Towers Watson estimates the total insured losses resulting from Japan's



earthquake and tsunami disasters to be between \$20 to \$45 billion with economic losses being estimated in excess of \$300 billion. The tornadoes in late April 2011 that damaged part of Alabama and six other Southern States could cause more than \$8 billion additionally. And all while we have just entered into a new hurricane season in the State of Florida.

A company Vice President of Operations once said: "Companies do not lose money! What they lose this year in claims; they will pass on to the public in next year's renewal term premiums." A former Texas Insurance Commissioner who ran the national flood insurance program in the 1970's in an article entitled "*Tornadoes may push up insurance rates*" dated May 29, 2011 stated: "This year's storms won't cause rates to skyrocket in the short term, but consumers will be paying slightly more because of the recent storms for the next quarter century."


With the national debt looming at the Federal level and many States in financial crisis, what is the chance the National Flood Insurance Program administered through FEMA will not increase our flood insurance renewal premiums in May 2012 across the United States while absorbing major catastrophic losses from the flooding in the Midwest and Southwest United States. Well as this author reflects, slim to none!

With the billions of dollars in claims from natural disasters here and abroad, insurers will most likely raise their premiums on homeowners, auto and commercial properties affected by these disasters in modest amounts for individual catastrophic events when shared by each policyholder. BUT, collectively for all the natural disasters around the globe could be an entirely different issue. This is without factoring in the current hurricane season now upon us in South Florida. If there was ever a time to pray for no hurricanes in Florida, This is it!

Knowing what is coming is a positive way of thinking and being able to address the issue upfront and in advance can only help each one of us as agents in our efforts in dealing with the public to have smooth sailing into the future with clients and prospects.



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IIASF Election News

The Ballots are in! The 2011-2012 Board of Directors ballots have been voted on and the results are as listed below.



Officers: **Phil Lyons** (InSource, Inc.) President; **Norman Morris** (Brown & Brown Miami) President Elect; **Javi Fernandez** (iSure Insurance Brokers) Secretary/Treasurer; and **Phil Yanan** (Wilson, Washburn, Forster) Immediate Past President.

Directors elected to a two-year term: **Garrett Butler** (Butler, Buckley, Deets); **Andrew Giambarba** (Insurance Office of America); and **Laura Traeger** (Kahn Carlin).

Directors elected to a one-year term: **Michael Alvarez** (BenTrust Financial); **Michelle Barrow** (AJ Gallagher); **Madeline Brandon** (RA Brandon & Co.); and **Eric Sheesley** (Brown & Brown).

Holdover Directors (elected to a two-year term, 2010-2011): **Frank Kowalski** (Koski & Co) and **Leigh Needelman** (Florida Assurers).

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News from the FAIA Convention



IIASF Past President **Thomas D. Dorsey** (Butler, Buckley, Deets) was elected to a three-year term to the FAIA Board of Directors. **Arturo Hoyo** (Coastal Insurance), who is completing his term, will remain on the Board as Immediate Past Chairman. The installation of FAIA's incoming officers and directors was held at the business and award brunch during the FAIA convention.



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Legislative Update

Javier Fernandez, IASF Director

Commercial Insurance Rates, CS/CS/HB 99



1. Allows six new types of commercial insurance to be exempt from the rate filing and approval process in current law. Insurance companies writing these types of commercial insurance will not be required to file with or obtain approval of the rates for these types of commercial insurance from the OIR before the insurer can charge the rate. The new types of commercial insurance exempted are:

- Fiduciary Liability
- General Liability
- Nonresidential Property (except for collateral protection insurance as defined in §624.6085)
- Nonresidential Multi-peril
- Excess Property
- Burglary and Theft.

Under current law, insurance companies writing the following types of commercial insurance are not required to file rates with or obtain approval for the rates charged from the OIR:

- *Excess or Umbrella Insurance*
- *Surety and Fidelity Insurance*
- *Boiler and Machinery Insurance and Leakage and Fire Extinguishing Equipment Insurance*
- *Fleet Commercial Motor Vehicle Insurance for a fleet of 20 or more self-propelled vehicle*
- *Errors and Omissions Insurance*
- *Directors' and Officers', Employment Practices, and Management Liability Insurance*
- *Intellectual Property and Patent Infringement Insurance*
- *Advertising Injury and Internet Liability Insurance*
- *Property risks rated under a highly protected risks rating plan*
- *Other types of commercial lines insurance determined by the OIR*

Even though insurance companies charge rates for the above listed commercial insurance risks without the rate being approved by the OIR, the rate charged must not be excessive, inadequate, or unfairly discriminatory, the same requirements for rates filed with and approved by the OIR. The OIR can examine a company's documentation supporting a rate to ensure that the rate meets these requirements and the company incurs the expense of providing the documentation to the OIR. If an insurance company increases or decreases a rate for the types of commercial insurance listed above, the insurer must notify the OIR within 30 days of the effective date of the rate change and the notification must contain certain information.

2. Changes the rate filing and approval exemption for commercial motor vehicle insurance. The bill exempts all commercial motor vehicle insurance from the rate filing and approval process, regardless of the number of vehicles the insurance covers, thus expanding the current exemption for commercial motor vehicle insurance.

Under current law, only commercial motor vehicle insurance covering a fleet of 20 or more vehicles is exempt from the rate filing and approval process.

3. Deletes some of the information required on the notice an insurer must give the OIR when the rate changes for commercial insurance exempt from rate filing. Insurers will no longer be required to provide the OIR the amount of insurance premium written during the prior year for the type or kind of insurance subject to the rate change.

Insurers will still be required to provide to the OIR the name of the insurer, the type or kind of insurance subject to the rate change, and the average statewide rate change.

4. The type of data required to be retained by the insurer or rating organization to support the rate charged for commercial insurance not subject to a rate filing is changed by the bill. Insurers are required to retain "actuarial data" about the commercial risks, but are no longer required to retain "underwriting files, premiums, losses, and expense statistics." Additionally, the bill adds a two-year retention period for the insurer or rating organization to retain the actuarial data supporting the rate charged.

Current law does not specify a retention period for the insurers to maintain supporting data.

5. Deletes current law allowing the OIR to obtain all information necessary to evaluate the condition of the company and the reasonableness of the rate charged for commercial insurance policies not subject to the rate filing and approval process. However, the bill authorizes the OIR to require the insurer or rating organization to incur the cost of any examination of the supporting data of the rate charged.

Effective date: October 1, 2011.

CS/HB 1087 Surplus Lines Eligibility for Export

Removes the eligibility for export requirements in §626.916(1)(a)-(d), F.S., when exporting to the surplus lines market those commercial risks that are not subject to OIR rate review as set forth in **627.062(3)(d)1**, subject to the following conditions:

- The insurance must be placed only by or through a surplus lines agent licensed in Florida
- The insurer must be an eligible insurer under §626.918, F.S.
- The insured must sign a disclosure which provides the following language:

"You are agreeing to place coverage in the surplus lines market. Superior coverage may be available in the admitted market and at a lesser cost. Persons insured by surplus lines carriers are not protected under the Florida Insurance Guaranty Act (FIGA) with respect to any right of recovery for the obligation of an insolvent unlicensed insurer."

The commercial risks that qualify for the bill's exemption from the eligibility for export requirements are:

- Excess or Umbrella
- Boiler and machinery and leakage and fire extinguishing equipment
- Error and omissions
- Directors and officers, employment practices, and management liability
- Intellectual property and patent infringement liability
- Advertising injury and Internet liability insurance
- Property risks rated under a highly protected risks rating plan

The eligibility for export requirements in §626.916(1)(a)-(d) for which these risks are exempt under this bill include:

- The required diligent effort form (three declinations from authorized insurers currently writing the type of coverage to be exported) to be completed by the retail agent
- The premium rate at which the coverage is exported shall not be lower than that of authorized insurers writing the same coverage on a similar risk;
- The policy or contract form under which the insurance is exported shall not be more favorable to the insured than similar forms of authorized insurers actually writing similar coverages;
- The policy or contract under which the insurance is exported shall not provide for deductible amounts other than those available under similar policies or contracts in use by one or more authorized insurers.

Provides that if the notice is signed by the insured, then the insured is presumed to have been informed and to know that other coverage may be available, and, with respect to the diligent effort requirement under

subsection (1), there is no liability on the part of, and no cause of action arises against the retail agent presenting the form.

Effective date: July 1, 2011, unless otherwise expressly provided.

Available links:

Surplus Lines Disclosure Form: <http://www.iasf.com/pdfs/surplus.lines.disclosure.pdf>

Diligent Effort/Surplus Lines Matrix: <http://www.iasf.com/pdfs/matrix.pdf>



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- IIASF's website – listing in Membership Directory for easy access by consumers – useful resources and information for members regarding upcoming events
- Member Discount Programs – Car Rental, Promotional items, etc.

We invite you to join our chapter and unlock the benefits of membership! As a member of IIASF, you support the independent insurance industry, which faces daily challenges from government and anti-business groups.



We look forward to having you as a member of IIASF!

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