

IIAM VIDEO BLOG FEBRUARY 2014	1
LEGISLATIVE UPDATE—YES, THAT’S RIGHT, A LEGISLATIVE UPDATE	1
OUTSTANDING CSR OF THE YEAR	2
INDEPENDENT AGENCY SYSTEM MOURNS PASSING OF GEORGE W. ‘JERRY’ PADBURY, III, CIC	3
MAKE PLANS TO HIT THE HILL	3
DID YOU KNOW? MEMBER BENEFIT EXPLAINED	4
YOUR NEXT CLIENT IS LOOKING FOR YOU. WILL THEY FIND YOU?	5
BUYING, SELLING & MERGING. WHAT SHOULD YOU DO?	5
MIEF 2014 SEMINAR SCHEDULE	6



[Correction]

In the last issue of TAGS we listed the names of the individual contributors to the InsurPAC campaign for 2013. Linda Schmaing of ISU Streeter Brothers was inadvertently left off this list. Linda has been a long time and consistent supporter of InsurPAC. We apologize for the mistake.

Legislative Update – Yes, that’s right, a Legislative Update

by Bob Biskupiak, CIC, CPCU
Executive Director, IIAM

Most people only think there is legislative activity during the active biennial session, but we can’t forget about the Interim Committees. During the regular legislative session, bills are passed that do not “enact” law, but rather call for the study of a particular issue.

The goal of the interim committee is to research, study, discuss the issue and report back to the regular legislature with recommendations and hopefully a bill draft ready to be introduced.

As an association, the Big “I” actively monitors the different Interim Committee hearings and agendas. Most of the insurance related issues will pass through the Economic Affairs Interim Committee.

(Continued on page 2)

[Return to table of contents](#)

[\(Continued from page 1\)](#)

House Joint Resolution 25 directed the study of the Montana workers compensation system including subrogation, the workers' compensation court structure, the structure of the Montana State Fund and various medical and safety components.

The most recent Economic Affairs Interim Committee hearing was held earlier this week on January 27th and 28th. The agenda featured several panel discussions regarding subrogation, the Montana State Fund structure and possible options regarding the Old Fund liability.

There is no intent to privatize the Montana State Fund, however, there is interest in changes that would impact independent insurance agencies and their customers. Items discussed included:

- Regulation by the Insurance Department
- Classification code differences with NCCI
- Premium Tax

- Guaranty Fund
- Immunity from Punitive Damages
- Fraud Investigation (Insurance Department or Department of Justice)
- Retaining Federal Tax Exemption

One thing for sure there are a lot of pieces to this puzzle. The next interim committee hearing is scheduled for late March. I will continue to keep our membership informed, however, if you have any questions, please feel free to contact me.

I am including links to the various resource documents from this week's hearing. I encourage you to take a look as you may find the topics interesting.

- [Workers Compensation Subrogation Issues](#)
- [Regulatory Options - Montana State Fund](#)
- [Why Restructure - Montana State Fund Perspective](#)
- [Old Fund Liability Options](#)

[Return to table of contents](#)



Outstanding CSR of the year

Each year, MIEF and the National Alliance recognize one Montana CSR of the year winner.

That person receives a framed certificate and goes on to compete for the national award, which includes \$2,000 cash, a diamond and gold pin, a scholarship to

a National Alliance program for the winner's employer, and a \$1,000 cash award for the winner's nominator.

Any CSR or other agency employee whose primary duties are customer service-related is eligible.

To compete, nominees must write an essay and submit a letter of recommendation. Self nominations are accepted.

Nominate someone you know at www.iamt.org.

Entry deadline is May 1, 2014. [Return to table of contents](#)



Products

*More products available through our national network



SCOTTSDALE, AZ
 RPS SCOTTSDALE
Featuring Both Binding & Brokerage Capabilities!
 Call today for prompt service! **480.860.5555**

SALT LAKE CITY, UT
 RPS TRANSWESTERN
New Office!
Formerly Transwestern General Agency
 Call today for prompt service! **800.453.3156**

For a complete listing of office locations, visit rpsins.com

- Cargo
- E&O/D&O/EPLI
- Fiduciary & Crime
- Garage Liability & Physical Damage
- General and Products & Completed Operations Liability
- Inland Marine
- Personal Lines
- Professional Lines
- Programs
- Property
- Transportation
- Umbrella & Excess Liability
- Vacant & Seasonal Property



Independent Agency System Mourns Passing of George W. 'Jerry' Padbury, III, CIC

Jerry worked in the insurance industry over 36 years and retired with many agency and company partner friends.

many agency and company partner friends.

“Jerry was a great friend of our industry, to me personally, and an outstanding Masonic brother,” said Bill Price, State National Director for the IIAM.

Jerry was awarded the Big Sky Lifetime Membership award, which recognizes outstanding men and wom-

en that have championed Independent Insurance Agents. “Jerry was one of the most kind & genuine people I have ever known,” Rich Deming of First West Insurance commented. “He was always a staunch supporter of the Big I, the Young Agents and the insurance industry in general. A true gentleman.”

Read his [obituary here](#).

[Return to table of contents](#)

MAKE PLANS TO HIT THE HILL

Want to make sure your elected officials understand the issues that are important to you? The Big “I” Legislative Conference offers agents the opportunity to speak to federal legislators with a unified voice.

Make plans now to be in Washington, D. D. April 9-11, 2014 at the Hyatt Regency Washington.

Highlights of the annual event include in-depth briefing sessions; hundreds of Capitol Hill meetings



between Big “I” agents and brokers and their elected representatives in Congress; and the chance to hear from legislators.

Visit independentagent.com/events for more information. **Register before February 21 and save 20% on the \$199 registration fee.**

[Return to table of contents](#)

Did you know?

Our members have access to two outstanding premium financing options for their Errors & Omissions policies.

Both **Capital Premium Financing** and **Imperial Premium Financing Specialists** have provided PRIM with interest rates much lower than the standard market.

In addition to the extremely competitive interest rates, both companies offer flexible down payment and installment plans.

Please contact Mike Sell at 406-442-9555 ext. 104 to learn more about your premium financing options.

Benefits	Imperial PFS	Capital PFS
Flexible Down Payment (10%-20%)	Yes	Yes
Interest Rate	5%	5%
Up to 10 Payments	Yes	Yes
No Penalty for early pay off	Yes	Yes
Will call 3, 5, & 10 days prior to the cancellation	No	Yes
Will send emails & mail late notices	Yes	Yes

[Return to table of contents](#)



SPOT
Online Quoting
24/7/365



Quotes in less than 2 minutes!

- Contractors
- Roofers
- General Contractors
- Truckers GL
- Loggers
- Security Agencies
- Alarm Installation
- Detective Agencies



ERICKSON - LARSEN, INC.
E&L
BJORNSSON/SENTINEL - E&L

www.EricksonLarsenInc.com
www.rateSPOTwithericksonlarsen.com

Your Next Client is Looking for You. Will They Find You?

Nearly 75% of personal lines consumers now begin their search for new coverage online. Will they find you? TrustedChoice.com helps ensure they will.

With enhanced agency profiles, expanded consumer resources and comparative quoting now available, TrustedChoice.com is unlike any other insurance website. And more new prospects are discovering that difference every month.



Best of all, **basic participation is free to IIABA members!** Enhanced programs to help new clients find you are available for just \$39 per month. The sooner you enroll, the sooner you'll be seen – and the more you'll save.

Agencies enrolled in the new Advantage program also receive an expanded profile, enhanced positioning, unlimited prospects and other key benefits. Subscribe Now at ProjectCapMarketing.com

[Return to table of contents](#)

	Acquire. Retain. Cross-Sell. We can help grow your business in more ways than one.	
Bismarck Branch: 800.472.2117 Home Office: Des Moines, IA		www.emcins.com

Buying, Selling & Merging What should you

One of the biggest decisions of your professional insurance carrier comes when you decide to either sell the agency you've worked long and hard to create, or to buy another agency that someone else has worked long and hard to create.

You've met with the owners of the agency, you've looked at the book of business, you've agreed on a price, hopefully you've contacted your attorney to help you draft the buy/sell agreement, and you're a

few short days away from closing the deal when suddenly someone asks: What about the E & O coverage? Who's doing what? Are you going to pick up the prior acts or am I? Can we just transfer the E&O policy to the new owners? What kind of losses have you had?

All of these questions should be asked at the beginning of the talks regarding the sale/purchase, but unfortunately they usually aren't discussed until the last minute and they can have a big impact on the deal.

(Continued on page 6)

[Return to table of contents](#)



**Think hard-to-place.
...Think Burns & Wilcox.**

- Commercial Property/General Liability
- Transportation
- Personal Lines

800-523-1409



(Continued from page 5)

Think about this, when you buy a new car or are selling your current one, one of the first things you should do is contact your insurance provider. It's no different when you are buying or selling an insurance agency. It also applies when you are only buying or selling a book of business.

In most, if not all cases, your E&O policy states that you must notify your E&O provider within 90 days of a merger or acquisition (check your policy for verification of the time limits.) Failure to notify your carrier in a timely manner could result in a gap in coverage.

So let's go through the steps you should follow when you are making a life and business changing decision regarding your agency.

Buying an agency

You've been talking with a fellow agent about buying their agency for some time and now you've both decided that the time is right. There are many details to consider and the first of which is to do your due diligence to review the other agencies operations, book of business, finances and E&O Policy. At this point it is advisable to retain an attorney to help you through

the process. Remember, an attorney can only represent one party, not both. You and the seller should each seek separate counsel.

It is a good idea to have a confidentiality agreement with the seller so that you can freely review all of the documents necessary to begin the change of ownership.

After you have completed your due diligence and you and the seller are comfortable with all aspects of the agency, the attorney's will draft the buy/sell agreement. Included will be such things as the timing of the sale, the assets to be transferred, the price, and of particular importance is who is responsible for the liabilities of the selling agency.

The cleanest way to do this is for each party to retain their own liabilities. In regard to the seller's E&O policy, they will purchase tail coverage and the buyer will add the new agency's book of business to their current E&O policy.

The reason this is the cleanest way to make the change, is because the seller will have the peace of mind of knowing that should a claim arise after the sale for acts while they owned the agency, their E&O policy will provide coverage for them. For the buyer, they know that they will not be responsible for any

(Continued on page 7)

[Return to table of contents](#)

(Continued from page 6)

acts that may have occurred prior to the purchase of the agency.

This is true whether or not the selling agency will continue as a separate entity or location for the buying agency. In most cases, even if the buyer maintains the new agency as a separate entity or location, it can be included on their current E&O policy for errors and omissions that are made after the sale.

Another option, while not the best way to transfer the ownership, is for the purchasing agency to agree to accept responsibility for prior acts. This is accomplished by adding the selling agency to the buying agency's E&O Policy. However, please remember that this must be approved by the E&O carrier before the sale is completed. It is imperative that you contact your E&O agent as soon as you begin the buy/sell process.

You will be required to provide a loss history of the seller, and the carrier may require an application providing information about the mix of business, gross annual premium, commissions, staff, etc. In some cases the carrier may not agree to provide prior acts due to claims history, nature of the book of business, etc. In that case the seller should purchase tail coverage from their current E&O carrier.

One thing to keep in mind is that the cost of tail coverage or additional premium expense if the prior acts are provided by the buyer can, and should, be considered in determining the sale price of the agency.

Selling an agency

As a seller of an agency, you may feel that it is important to maintain your agency's legacy. If this is

important to you, be sure to discuss this with your attorney so that it is properly addressed in the agreement.

If you have valued employees that you wish to provide for, you should include how they will be taken care of in the agreement. This may be a source of negotiation as the seller may not wish to add any permanent staff, so make sure this is brought up in your discussions with the buyer.

An important aspect that was mentioned previously is protection for you if a claim should arise after the sale. As stated before, the best way to ensure this is to purchase tail coverage from your current E&O carrier.

While you may not want to add the expense of tail coverage and you believe you are protected because of your agreement with the buyer that they will provide coverage for prior acts and will maintain an E&O policy, you have no guarantees that it will be done.

It is not unheard of after an agency sale for the buying agency to either go out of business, sell their agency to another party who will not agree to provide prior acts, or have their E&O policy terminate either voluntarily or involuntarily. In each of these cases you could be left without coverage.

Another thing to consider should your agency be added as an additional insured on the buyers' policy is that any claims, whether they are for your agency or the buyer's agency, will be subject to the policy limit of the buyers' policy, regardless of whether there are multiple claims as a result of either agency.

In other words, are you comfortable that the policy limits of the buyers E&O policy are sufficient to cover both your and their claims? Also, it should be made

(Continued on page 8)

[Return to table of contents](#)

clear who will be responsible for any deductible payment.

Mergers

If you are merging with another agency to either form a new agency or be a continuation of one of the two, there are a couple of different ways to handle this in regard to your E&O coverage.

One way is to have a new E&O policy for the newly created entity. This ensures a clean slate for all involved. If a new policy is created, each of the former agencies can purchase tail coverage or they can be added as additional insureds on the new entity policy.

Again, keep in mind that any claims will be subject to the limits of the remaining policy and remember that this must be approved by the E&O provider prior to the completion of the agreement to ensure that the carrier can comply with your wishes.

Another way to handle a merger is to terminate one policy and have that agency added as an additional insured to the policy of the “surviving” agency. The agency that is terminating their policy can either purchase tail coverage or be added as an additional insured upon approval by the E&O provider.

Internal sale

Many times an owner has a key agency employee who they believe is qualified to take over the agency. Everything that has been stated before applies just the same in these situations.

There should be due diligence by both parties, attorneys should be retained, agreements drafted and entered into, and all other aspects of the change of ownership should be carefully contemplated and resolved.

Transfer of a book of business

Remember that even if all you are doing is transferring a book of business, either as a buyer or a seller, all of the things mentioned previously apply. While you might think that a transfer of only a small book of business should be uncomplicated, as soon as a claim is made it can become very complicated.

Key points to remember

1. Consult your attorney and have a formal written agreement outlining the duties and responsibilities of all of the parties.
2. Contact your E&O provider as soon as you can to ensure that coverage can be provided as you intend and that there are no gaps in coverage.
3. Giving timely notice to your E&O provider is of utmost importance as many carriers may be unable to comply with your intent after the transaction has already been completed.

You spent your professional insurance career building a business that has provided you with a livelihood and personal fulfillment. If you are either growing or selling your agency, you want the peace of mind of knowing that you have adequately protected yourself.

This article is intended to be used for general informational purposes only and is not to be relied upon or used for any particular purpose.

Swiss Re shall not be held responsible in any way for, and specifically disclaims any liability arising out of or in any way connected to, reliance on or use of any of the information contained or referenced in this article.

The information contained or referenced in this article is not intended to constitute and should not be considered legal, accounting or professional advice, nor shall it serve as a substitute for the recipient obtaining such advice.



2014 SEMINAR SCHEDULE

Beginning in 2014 we will be offering two CIC institutes and one Ruble Graduate Seminar each year. Ruble Graduate seminars are for CIC designation holders only. The following schedule is tentative and may be subject to change due to unforeseen circumstances. **Registration will be available February 15th for classroom courses.**

State required classes are in gold

CIC classes are in blue

[Return to table of contents](#)

Date	Location	Seminar Name
2/4/2014	ABEN Webcast	Meeting the Challenge of Change (E&O, 6 hours)
2/4/2014	ABEN Webcast	Commercial Lines Claims that Cause Problems
2/11/2014	ABEN Webcast	Meeting the Challenge of Change , Part 1 (E&O, 3 hours)
2/11/2014	ABEN Webcast	Meeting the Challenge of Change , Part 2 (E&O, 3 hours)
2/19/2014	ABEN Webcast	Ethics in Today's Changing Times
2/19/2014	Glendive	Ethics: Your Client, Your Practice, Your Industry
2/19/2014	Glendive	2013 Legislative Changes to Montana Insurance Statutes
2/20/2014	Havre	Ethics: Your Client, Your Practice, Your Industry
2/20/2014	Havre	2013 Legislative Changes to Montana Insurance Statutes
2/20/2014	ABEN Webcast	Meeting the Challenge of Change (E&O, 6 hours)
2/25/2013	Bozeman	Workers Compensation for Contractors
2/25/2013	Bozeman	Social Media in Insurance & Your Agency
2/25/2013	Bozeman	Failure to Procure in Today's World
2/25/2013	Bozeman	Certificates, Certificates, Certificates
} Part of the 2014 Leadership Conference. Register here.		
2/27/2014	ABEN Webcast	Meeting the Challenge of Change , Part 1 (E&O, 3 hours)
2/27/2014	ABEN Webcast	Meeting the Challenge of Change , Part 2 (E&O, 3 hours)
3/27/2014	Bozeman	Personal Residential CISR
4/10/2014	Great Falls	Commercial Casualty II CISR
4/15/2014	Helena	Personal Auto CISR
5/2/2014	Billings	Commercial Property CISR
5/6/2014	Missoula	Agency Operations CISR
5/7/2014	Missoula	Ethics
5/7/2014	Missoula	2013 Legislative Changes
5/7-10/2014	Missoula	Life & Health Institute
5/21/2014	Kalispell	Commercial Casualty I CISR
6/3/2014	Bozeman	Personal Lines Miscellaneous CISR
8/20/2014	Bozeman	2013 Legislative Changes
8/20-22/2014	Bozeman	Ruble Graduate Seminar
9/9/2014	Billings	Personal Auto CISR
9/18/2014	Missoula	Commercial Casualty II CISR
9/30/2014	Bozeman	Commercial Casualty I CISR
10/9/2014	Great Falls	Personal Residential CISR
10/30/2014	Kalispell	Commercial Property CISR
11/4/2014	Billings	Commercial Casualty II CISR
11/5/2014	Billings	Ethics
11/5/2014	Billings	2013 Legislative Changes
11/5-8/2014	Billings	Commercial Casualty Institute
11/18/2014	Helena	Commercial Property
12/4/2014	Missoula	Personal Residential CISR

[Return to table of contents](#)