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Agency Risk Management Essentials: Preparing for a Catastrophic Event

Wed, Apr 19, 2017 2:00 PM - 3:00 PM EDT



Big "I" Professional Liability risk management director Jim Hanley, RPLU, will moderate an exclusive webinar discussion offered FREE for Big "I" members only. **Don't miss it!**



Panelists:

Don Burke, MBA - Flood Insurance Manager, Selective Insurance Company

Caryn Mahoney - Assistant Vice President, Claims Specialist, Swiss Re Corporate Solutions

Michael Medford - Attorney, Manning, Fulton & Skinner

Danny Cook, MSRMI, CIC & CRM - Cook Insurance Services



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Administrative Details

- Attendees are in listen only mode.
- Questions? Please use the GoToWebinar questions feature in the upper right and we will do our best to respond.
- For panelist questions after the webinar:
 - Don Burke, MBA- Flood Insurance Manager, Selective Insurance Company- Don.Burke@Selective.com
 - Caryn Mahoney- AVP, Claims Specialist, Swiss Re Corporate Solutions – Caryn_Mahoney@swissre.com
 - Michael Medford, Attorney, Manning ,Fulton & Skinner–Medford@manningfulton.com
 - Danny Cook- Cook Insurance Services- cookinssvcs@ncrrbiz.com
- The slides and audio will be available on E&O Happens soon.
- No CE or Loss Control Credit available for listening to today's discussion



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Presenters

- **Don Burke, MBA**- Flood Insurance Manager, Selective Insurance Company for Selective Insurance Company of America. Selective Insurance Company of America has been a Write Your Own Company (WYO) for the National Flood Insurance Program (NFIP) since 1984. Selective Insurance is the 5th largest Write Your Own Company (WYO) and the endorsed carrier for the Independent Insurance Agents & Brokers of America (IIABA). Don has been working with agents since 2007 on flood underwriting, education, and marketing.
- **Caryn Mahoney**- AVP, Claims Specialist, Swiss Re Corporate Solutions Chicago, Illinois. Caryn has been handling professional liability claims including insurance agents and lawyers for 25 years, and has been working as a claims adjuster for 34 years (with a 2 year stint as a commercial real estate appraiser). She has handled a variety of different kinds of claims with three different insurance companies before joining Swiss Re. She has ten insurance designations including the CPCU and RPLU designations. Caryn has a B.A. in Business Administration from Illinois Wesleyan University.



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Presenters (Continued)

- **Michael Medford**, Attorney, Manning Fulton -A member of Manning Fulton's litigation section, Michael T. Medford has more than 37 years' experience representing clients in a broad range of complex commercial litigation disputes, with a particular expertise and accompanying track record of success in insurance coverage and procurement disputes. Mike's extensive experience includes the representation of insurance professionals, carriers and businesses in disputes relating to the procurement and issuance of insurance; the interpretation of insurance policies; and the handling of claims.
- **Danny Cook**- MSRMI, CIC & CRM Principle, Cook Insurance Services, located in Lumberton, NC. Lumberton was heavily devastated due to Hurricane Matthew, and Cook Insurance Services experienced the worst catastrophic event in their 17 year history. In addition to serving his clients, Danny also had the unique perspective of being a volunteer with Lumberton Rescue, the agency that led the rescue and evacuation operations. Danny has been in the insurance business for over 23 years, and has been a volunteer with Lumberton Rescue for over 16 years.



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Don Burke, MBA

Flood Insurance Manager

Selective Insurance Company



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Myths and Facts about the NFIP



National Flood Insurance Program

Myths and Facts about the National Flood Insurance Program



This document is available on
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MYTH:

You can't buy flood insurance if your property has been flooded.

MYTH:

Only residents of high-flood risk areas need to insure their property.

MYTH:

Federal disaster assistance will pay for flood damage.



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Who Needs Flood Insurance? Everyone!

- Everyone is in a flood zone, the difference is the degree of risk associated with the flood zone.
 - Flood should be offered on every account.
- Reasons to offer:
 - Most homeowners insurance does not cover flood.
 - Most commercial insurance does not cover flood for buildings located in a special flood hazard area.
 - Agent Reasons:
 - Providing the coverage option your client's need
 - E&O

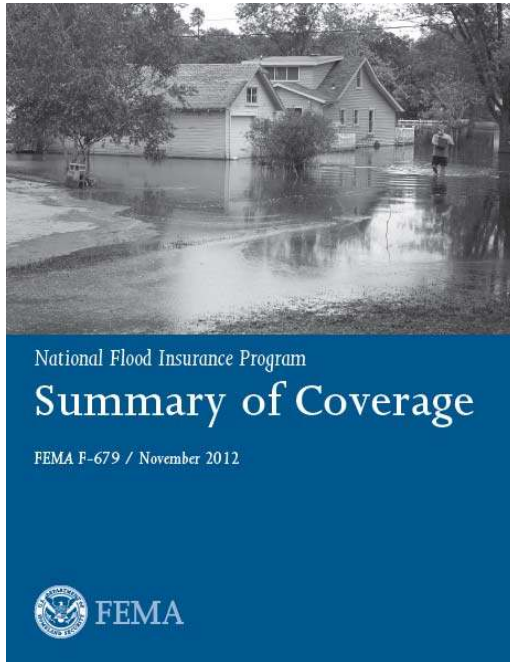


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NFIP: Summary of Coverage



This document was prepared by the National Flood Insurance Program (NFIP) to help you understand your flood insurance policy.

It provides general information about deductibles, what is and is not covered by flood insurance, and how items are valued at the time of loss.

This document is based on the Standard Flood Insurance Policy Dwelling Form, which is used to insure one-to-four-family residential buildings and single-family dwelling units in a condominium building.

This document is available on
www.iiaba.net/EOHappens

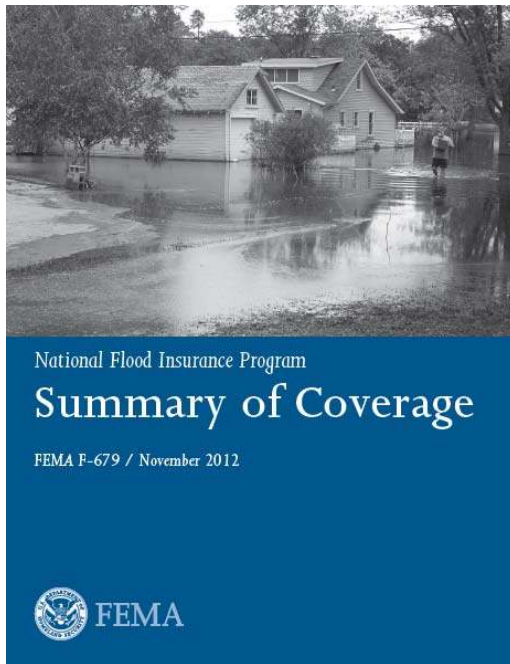


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Best Practices for Offering



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Things to consider:

- Definition of Flood
- Statutory limits available and excess flood as an option.
- Contents coverage is purchased separately from building coverage under the standard flood policy.
- Limitations and exclusions in the basement.
- Settlement: Actual Cash Value
- Waiver/Rejection Form—Acord 60



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Danny Cook, MSRMI, CIC & CRM

Principal Agent

Cook Insurance Services

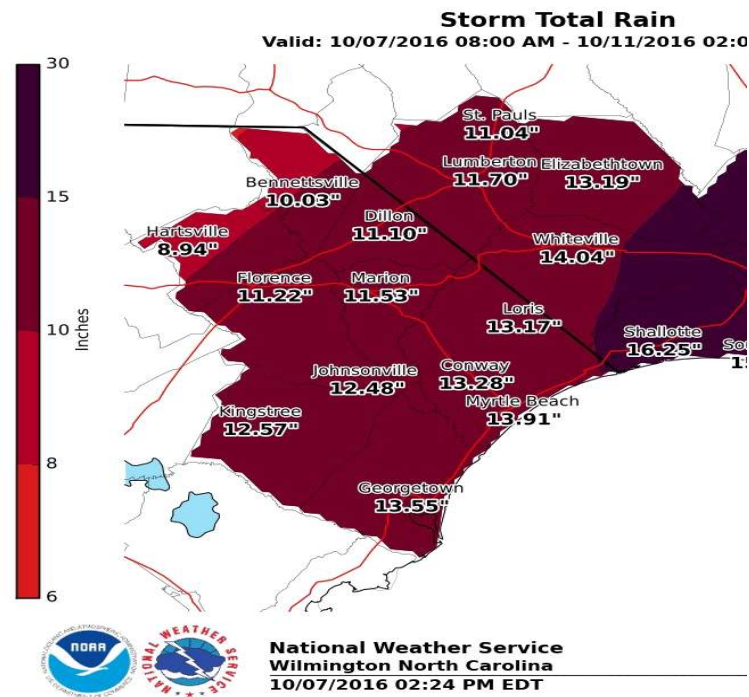


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What to expect, initially?

- Be prepared for significant call volume
 - Return calls as quickly as possible, our clients expect to hear from us as they realize the devastation around them
- Remember to inform clients of realistic expectation of first contact from company, again with the worst getting the most immediate attention
 - Try to truly understand the extent of their damage (i.e. Roof damage, is there a hole in the roof where they can see the sky, or shingles blown off lying in the yard with no signs of penetration)
 - If companies have a specific method in dealing with flooded cars, share with the client upon initial contact
- Be understanding, listen, and provide any relevant “positive” information that shows you genuinely care (where to find hot meals, water, and basic hygiene items)
- The magnitude of despair and devastation will be overwhelming, be prepared for long days and have a plan for alternating “time off”; a break will be welcomed and much needed



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Flood Insurance Claims

- Flood insurance claims handling is not like any other property claim
 - Adjusters are independent
 - Advance payments should be offered, but some adjusters don't
 - Make clients aware of, and suggest they take the advance payments
 - Typically sent within two weeks
 - Final settlement will be 60 days +/-, so prepare the client for same
 - The recoverable depreciation (holdback) is standard, again make clients aware of what that means

**These folks will already be suffering great loss, and the added stress of this prolonged process will add to it.



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Flood Insurance Problems

- Inevitably, people forget to provide us with needed information which will slow the claims processing
 - Death of named insured
 - Incorrect mortgagee
 - Mortgagee shown on dec but that loan was satisfied

(The process is very slow, and any of the above issues results in the reissuance of a check which will delay the funds availability to the client by another two weeks, at the minimum.)



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What Benefits are Available to the Agency?

- If E&O through Swiss Re, policy provides up to \$25,000 in Cat related expenses to handle claims operations
- Your state association may provide some benefit/grant
- IIABA has a disaster relief grant

Does not provide for agency's loss of income due to clients displacement or disaster declaration



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Understand Statutory Mandates

- IF declared a disaster area, the NCDOI, per the General Statute can effectively suspend (defer) insurance payments that would otherwise be due if you live in the designated area(s)
 - Known as GS 58-2-46
 - Not all companies will be immediately aware of same

***Does your state have a similar statute?



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The Aftermath

- Devastation, despair, and discouragement will be all around you, provide words of encouragement
- Your clients probably have not experienced anything like this, be mindful of that as you walk with them through the process
- Some companies will be better and quicker than others, hope you are on the right side of that conversation



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Does your agency have a disaster plan?

- Who is the lead contact?
- When was it last updated?
- Does everyone know their role?
- Has it been tested?



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Caryn Mahoney
AVP, Claims Specialist
Swiss Re Corporate Solutions



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Lessons Learned

- Agencies need to perform due diligence in hiring and supervising of their employees
- Agents should not get involved in premium issues dealing with direct-billed policies
- Agencies should not accept cash premium payments
- Agents need to abide by carriers' binding restrictions



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More Lessons Learned

- Some things are not easily covered by insurance so need to make clients aware
- Need to point out important exclusions
- There will be disputes re: flood or wind. Offer both & make sure offers/rejections documented
- Ok to be advocate, but don't get involved in claim decision process



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Even More Lessons Learned

- No blanket statements something “is covered”
- Use care in reading quote, app and policy
- Do not delay with obtaining replacement coverages
- Confirm with client whether multiple structures & whether coverage needed for all
- Do not rely on oral statements made by broker or carrier; get it in writing!



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Catastrophe Expense Coverage

- \$25,000 per catastrophe/\$50,000 per policy period sublimit; \$500 deductible
- Begins on date of Cat event, up to 30 days thereafter
- Covers expenses needed to assist agents in processing claims for clients affected by Cat
- Cat must be declared catastrophe by Property Claims Services



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Michael T Medford
Attorney
Manning, Fulton & Skinner
Attorneys



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Minimizing Post-Catastrophe E&O Claims

- Have plan for handling catastrophe claims.
 - Make sure all personnel are familiar with the plan.
 - Follow the plan post-catastrophe.
- Follow consistent practices in handling catastrophe claims.



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Minimizing Post-Catastrophe E&O Claims (Continued)

- Submit claims notices as quickly as possible to all carriers who might provide coverage.
- Remember that adjusters, not agents, adjust claims.
- If you must be an advocate, avoid communications that might be used to suggest that you don't understand the coverage.



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Minimizing Post-Catastrophe E&O Claims (Continued)

- Do not succumb to the temptation to give false assurances to customers in distress.
- Be consistent in documenting your handling of claims.
- Report potential problems to your E&O carrier before trying to fix.



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Related Resources:



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Resources

- E&O Angle Article: “The Ripple Effect: CATs can occur in unexpected places” Author: John Nesbitt, J.D. AVP Swiss Re
- Claim Example: “Dig a little Deeper”
- E&O Angle Article: “Catastrophic Weather Events Affect Coverage” Author: Brian Butcher, Swiss Re
- E&O Angle Article: “Don’t Let an Earthquake Shake Up Your Agency” Author: John Nesbitt, J.D. AVP Swiss Re
- It’s Time to Update your Disaster Plan” Author: Jeff Yates, ACT (Former Executive Director)



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 - Danny Cook- Cook Insurance Services- cookinssvcs@ncrrbiz.com

Please cc: jim.hanley@iiaba.net, richard_lund@swissre.com & Annette_Ardler@swissre.com



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Thank you!



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