

The Mass Agent

MAIA's Official Newsletter

April 14, 2017

MAIA News

FACING THE FUTURE TOGETHER - YOUR INVITATION

MAIA cordially invites you to attend one of our Facing the Future Together conversations. This is an exciting time for MAIA, with new leadership and a focus on strategic initiatives that will strengthen and elevate the independent agency system. At the session, members will hear from President and CEO Nick Fyntrilakis and senior MAIA staff about our refined focus and related opportunities for you to engage. Most importantly, it will provide MAIA with an opportunity to receive feedback from our members.

Agenda items will include MAIA's:

- Digital Consumer Advertising Strategy
- New MAIA website
- Opportunity for discounted web/social development services
- Legislative update on the proposed "Fair Tax" and our opposition to certain deceptive sales practices

MAIA will be hosting nine of these sessions across the Commonwealth. All sessions will run from 8:00 am – 9:00 am. We hope you will be able to take the time to attend this important conversation regarding the future of your Association.

Register today for the Facing the Future Together conversation closest to you:

May 9th, Hyannis, MA, Cape Codder Resort & Spa
May 10th, Brockton, MA, Thorny Lea Country Club
May 11th, Pittsfield, MA, Hilton Garden Inn
May 18th, Braintree, MA, Hyatt Place
June 14th, Springfield, MA, Hilton Garden Inn

June 15th, Waltham, MA, Hilton Garden Inn
June 19th, Milford, MA, Association Headquarters
June 21st, Peabody, MA, Springhill Suites Marriott
June 27th, Westport, MA, White's of Westport

If you have any questions regarding these sessions, please contact Kate Bardsley, at kbardsley@massagent.com or 508-634-7373.

Attendees will also be eligible to win a FREE WEBSITE EVALUATION, valued at \$500.00, from our web development partner, Jump Suit Group.

Number One

HOSPITALITY MUTUAL INSURANCE - IMPORTANT PROGRAM CHANGES

Effective March 15, 2017 - Hospitality Mutual Insurance Company (HMIC) now includes invoices with new and renewal policies. Once the Number One team forwards the bind order and proof of payment, HMIC will issue the policy with an invoice. The Number One team will forward both to the agent for delivery to the insured. A copy of the invoice can be sent to HMIC along with the payment check.

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THANKS COMPANY PARTNERS

**SUBMIT
YOUR NEWS**

Effective May 1, 2017 - Hospitality Mutual Insurance Group has increased the amount of premium for liquor liability auto renewals from \$900 to \$2,500. Accounts with losses will not qualify for automatic renewal. The underwriter will review those accounts for premium and renewability. Number One will be forwarding both the Invoice and Renewal Declaration to our agents with instructions to forward them to their clients.

Effective April 1, 2017 - renewal commissions changes are as follows:

- Preferred Liquor and Package policies 10%
- Standard Liquor policies 9%
- Excess Liability 9%

An amended broker's agreement with an updated commission schedule has been provided in a prior email. For more information about [Liquor Liability Insurance](#), contact Colleen Lahna at clahna@massagent.com or 508-634-7361.

Events News

MASSAHU OPENS REGISTRATION FOR ANNUAL BENEFEST TO BE HELD MAY 4, 2017 IN WESTBORO

Health insurance continues to take center stage in Washington as the implications of the American Health Care Act are shaping de-bates across the nation. The Massachusetts Association of Health Underwriters (MassAHU) is following the conversation closely and interpreting what this means for independent agents and brokers in Massachusetts.

With this in mind, MassAHU has opened registration for Benefest - their one-day annual conference and [trade show](#). The conference features a [strong schedule](#) of speakers and panelists. As in past years, the region's top health plan CEOs will take the stage [Benefest's signature CEO Panel](#).



Attendees will also hear a series of engaging and topical general sessions during this packed day which will include presentations from Tommy McDonald, Vice President at MarshBerry, Jessica Waltman, Health Reform Consultant to Employers & Group Benefit Brokers and Adam Russo Sr. VP & General Counsel of The Phia Group and more.

Members of MAIA are welcome and encouraged to attend, especially if health insurance is part of your agency's product offerings. Registration includes break-fast, lunch, all speaking sessions, closing reception and access to the exhibit hall.

More information: [Benefest](#), Thursday, May 4th, 2017, at DoubleTree Hotel, Westborough, MA. [Register Today](#).

DOI News

A REFRESHER ON REBATING - LAWS AND REGULATIONS INSURANCE AGENTS SHOULD KNOW

MAIA has recently received an up-tick in questions related to "rebating", "inducements", "referrals", "incentives" and "giveaways". Below you will find an article first published by MAIA in 2012, which outlines the rules set forth by the Division of Insurance (DOI) on this matter.

For questions or additional information regarding this issue, please contact Dan Foley at dfoley@massagent.com or 800-742-6363.

We receive many inquiries from our members regarding rebating, raffles, gifts, referral fees, etc. Massachusetts laws governing "inducements" and "rebates" are very broad. State law prohibits a producer from paying "anything of value" to a potential customer or a customer as an "inducement" to purchase insurance or as a "rebate" pursuant to the purchase of insurance, which is not specific in the insurance contract.

An example of an "inducement" would be a raffle. A raffle for potential customers, current customers or both could be viewed as an "inducement" to purchase insurance from the agency. Simply the chance of winning the raffle is something "of value" which is prohibited by statute. A "rebate" is easier to define. It is providing a customer with "anything of value" after the policy has been purchased. It does not have to be a dollar amount, simply something "of value." We are often asked about agencies giving out calendars, pens, etc. In our judgment, these are items of goodwill. A clear minded regulation can tell the difference between goodwill and an inducement or rebate.

The bottom line is that you may not offer "anything of value" to a customer or potential customer to keep or get their business. If you stick to this advice, you minimize any chance of violating the law.

While inducements and rebates are addressed in Massachusetts law, referral fees are not. MAIA recently asked the Division of Insurance (DOI) to provide guidance to insurance agencies regarding referral fees. Here is what the DOI told us.

Referral fees are payments made by an insurance producer to another person for referring potential customers to the producer. The DOI has taken the position that referral fees may be paid if said fees are:

1. Nominal in value. Neither state law nor the Division has defined the meaning of "nominal in value". It is traditionally a relatively small amount given as a token of gratitude for referring potential business. The amount cannot, in any way, be determined as a percentage of or a share of the producer's commission;
2. Paid to anyone who refers potential clients;
3. Paid whether or not a sale of insurance results from the referral;
4. Amount of the fee is not calculated as a percentage of premium or commission.

Below we have reproduced the Massachusetts laws which address payments made to a customer or potential customer either as an "inducement" to buy insurance or as a "rebate" of insurance premium.

CHAPTER 175. INSURANCE - MISREPRESENTATIONS AND REBATES

Chapter 175: Section 182. Special inducements, etc.; rebates; loans in connection with student loan insurance programs

Section 182. No company, no officer or agent thereof and no insurance broker shall pay or allow, or offer to pay or allow, in connection with placing or negotiating any policy of insurance or any annuity or pure endowment contract or the continuance or renewal thereof, any valuable consideration or inducement not specified in the policy or contract, or any special favor or advantage in the dividends or other benefits to accrue thereon; or shall give, sell or purchase, or offer to give, sell or purchase, anything of value whatsoever not specified in the policy; or shall give, sell, negotiate, deliver, issue, or authorize to issue or offer to give, sell, negotiate, deliver, issue, or authorize to issue any policy of workers' compensation insurance, or any motor vehicle liability bond or any motor vehicle liability policy, both as defined in section thirty-four A of chapter ninety, at a rate different from that fixed, established or approved by the commissioner. No such company, officer, agent or broker shall at any time pay or allow, or offer to pay or allow, any rebate of any premium paid or payable on any policy of insurance or any annuity or pure endowment contract. Nothing in this chapter shall prevent any life company from making supplemental agreements, not specified in the policy, which give the policy owner or insured the right to borrow money from the life company in connection with a student loan insurance program, pursuant to United States Public Law 89- 329, or pursuant to any similar federal statute; provided, however, that such loans are to be made, issued, assumed or guaranteed by the United States of America or any instrumentality thereof, or by any state of the United States.

Chapter 175: Section 183. Rebates; acceptance; prohibition

Section 183. No person shall receive or accept from any company or officer or agent thereof, or any insurance broker, or any other person, any such rebate of premium paid or payable on the policy or contract, or any special favor or advantage in the dividends or other benefits to accrue thereon, or any valuable consideration or inducement not specified in the policy or contract or any policy of workers' compensation insurance, or any motor vehicle liability bond or any motor vehicle liability policy, both as defined in section thirty-four A of chapter ninety, at a rate different from that fixed, established or approved by the commissioner. No person shall be excused from testifying, or from producing any books, papers, contracts, agreements or documents at the trial of any other person charged with violating any provision of this and the preceding section, on the ground that such testimony or evidence may tend to incriminate himself; but no person shall be prosecuted for any act concerning which he shall be compelled so to testify or produce evidence, documentary or otherwise, except for perjury committed in so testifying.

(continued next page)

CHAPTER 176D. UNFAIR METHODS OF COMPETITION AND UNFAIR AND DECEPTIVE ACTS AND PRACTICES IN THE BUSINESS OF INSURANCE Chapter 176D(3)(8) states:

(8) Rebates: Except as otherwise expressly provided by law, knowingly permitting or offering to make or making any insurance contract, including but not limited to a contract for life insurance, life annuity or accident and health insurance, or agreement as to such contract other than as plainly expressed in the insurance contract issued thereon, or paying or allowing, or giving or offering to pay, allow, or give, directly or indirectly, as inducement to such insurance or annuity any rebate of premiums payable on the contract, or any special favor or advantage in the dividends or other benefits thereon, or any valuable consideration or inducement whatever not specified in the contract; or giving, or selling, or purchasing or offering to give, sell, or purchase as inducement to such insurance contract, or annuity or in connection therewith, any stocks, bonds, or other securities of any insurance company or other corporation, association, or partnership, or any dividends or profits accrued thereon, or anything of value whatsoever not specified in the contract.

DOI News

MAIA has recently collected the latest insurance company filings from the Division of Insurance. Included below is a summary of updates. Members may view the newest filings for the following companies at massagent.com (log-in required):

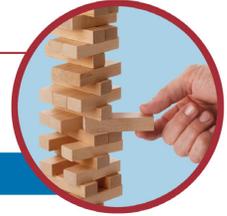
AIB	AIBM130842432 – Rate/Rule AIBM130842727 – Form	Rate Impact: +.3%
Allstate	ALSE130786922 – Form ALSE130870956 – Form	
Arbella Mutual	ARMU130879632 – Groups	
Bankers Standard	ACEH130827299 – Rule	Rate Impact: +5%
Commerce Insurance	CMRC130646922 – Form/Rate/Rule CMRC130865675 – Group CMRC130882310 – Group CMRC130833229 – Form/Rate/Rule	Rate Impact: +1.6% Rate Impact: +3.8%
Esurance	SUR130881833 – Form	
GEICO	GECC130881833 – Rate/Rule	Rate Impact: +4.2%
IDS Property Casualty	PRCA130867449 – Rate	Rate Impact: +5.5%
Integon National	GMMX130858179 – Rule	
Citizens/Hanover	HNVXG130902873 – Group	
ISO	ISOF130764190 – Form	
LM General	LBPM130706712-Form/Rate/Rule Motorcycles LBPM130729284 – Form LBPM130818009 – Rate	Rate Impact: +5.4%
Liberty Mutual	LBPM130729184 – Form LBPM130818109 – Rate	Rate Impact: +5%
Metropolitan P&C	METXD130884849 – Group	
NGM Insurance	NGMC130917333 – Group	
Plymouth Rock	PRAC130874917 – Group	
Preferred Mutual	PMUT130884849 – Rule	
Quincy Mutual	QUEN130751386 – Form/Rule QUEN130841048 – Form/Rate/Rule QUEN130855810 – Group	Rate Impact: +2.360%
The Standard Fire Ins. Co.	TRVA130917277 – Group	
State Farm	SFMA130792687 – Form	
Vermont Mutual	VERM130813957 – Rate/Rule	Rate Impact: +3%

Your most recent E&O focused article from Utica National Insurance Group. Reminding you that the Number One Insurance Agency is the market-leader in Massachusetts for Agent's E&O coverage.



ERRORS & OMISSIONS

RISK MANAGEMENT ALERT



How Well Are You Communicating with Your Clients at Renewal Time?

by **Curtis M. Pearsall**, CPCU, AIAF, CPIA
President – Pearsall Associates, Inc.

Renewals generate far more errors-and-omissions (E&O) claims than their new-business counterpart. This makes perfect sense as most agencies are diligent in assessing a client's exposures at the onset of coverage. However, many agencies run the risk of taking renewals for granted and simply let policies, especially those for smaller accounts, renew "as is."

The potential for exposure changes to the agency's Personal Lines and Commercial Lines accounts from year to year is significant. When factoring in that the overwhelming majority of E&O claims involve a client's uninsured exposure, it is clear that a procedure is needed to address this.

Rules of Thumb

The suggested approach is for an agency to reach out to its clients via a review or checklist to ask about changes in exposures. A form or questionnaire should be developed and emailed or mailed to the client with a cover letter explaining the purpose. The agency should also include a list of coverage options for the client to consider.

This is vital, especially with Personal Lines clients and small Commercial Lines clients, because most agencies do not have the luxury of time to meet with every client. Efficiency is critical and most agency management systems can handle this task.

It is common to send this questionnaire to the client 90 days in advance of the renewal date of a key coverage, such as the package policy in Commercial Lines and the Homeowners or Auto in Personal Lines. Hopefully, the agency will receive a good response. However, it is not necessary to follow up with those clients who did not respond.

The questionnaire should be mailed every year, and contain language stating that if the form is not returned, "the coverage will be renewed based on information previously provided." In addition, the agency file should reflect that this mailing was done and act promptly upon those questionnaires that are returned.

For agencies that use service centers, it is suggested to not send this questionnaire to those clients as the mailing could impact the hold-harmless provision in the service center contract.

A Win-Win

If your agency could be one of those that tends to take renewals for granted, implement an annual exposure review into your process. By taking this approach, the agency's defense would be strengthened if a client alleged that they were not properly insured. Ironically, as this process gets implemented, the agency may experience the added benefit of writing more insurance. Without a doubt, this is a win-win proposition.

The material contained in this article is for informational purposes only and is not for purposes of providing legal advice. You should contact your attorney to obtain advice with respect to any particular issue or problem.

Education

MEMBER AGENT, ED MCGUIRE, TO TEACH - CYBER THREATS - AN UNAVOIDABLE BUSINESS RISK

Later this month, MAIA debuts a new three-hour program to help bring you up to speed on the threats associated with cyber liability and will discuss the following topics:

Cyber liability Insurance:	Types of Security/Privacy Risks:	Privacy Laws in General:
What does it cover? Policy coverage sections & purpose Broadening coverage endorsements Traditional insurance/overlaps	Cyber facts Types of Information Types of cyber criminals What commonalties exist? Social engineering fraud BYOD-Bring Your Own Device IoT-Internet of Things Chip card technology FTC basic recommendations Cyber risk management steps	Federal MA Privacy Law RI Privacy Law

The sessions will be led by Ed McGuire, the Director of Specialty Insurance at FBinsure in Taunton. Ed comes to MAIA with extensive experience in the insurance industry; starting his career in 1973 and most recently joining FBinsure in 2014. Ed focuses on cyber liability and has spoken previously on the topic for MAIA at The Big Event.

These live, in-person sessions will take place in Milford at Association Headquarters from 9:00 am - 12:00 pm. **Click to register for the [April 25th](#) or [May 16th](#) sessions or contact Education at 800-742-6363.**

Thanks Company Partners

MAIA would like to acknowledge our 2016 Agent Awareness Campaign Diamond and Platinum company partners. Please support those companies that support the Independent Insurance Agent.

**Massachusetts Association
of Insurance Agents**
**Agent Awareness
Campaign
2016**

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