

# BIG TIMES

MAGAZINE

May / June 2016



FUN FACTS

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REGULATORY STRUCTURE:  
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by Jon Spaugy, BIG's Chief Executive Officer

It's hard to believe the books are closed on BIG's 2016 convention. When you plan something for several months, it kind of becomes a part of you. Because we are perpetually planning the next BIG convention, it seems never-ending, so when one comes to a close, it is all a bit surreal.

Anyway, it was great to see so many new faces along with old friends this past month. One of the great things about a convention – aside from all the education, business growth opportunities, etc. -- is you get an opportunity to reconnect with colleagues you may only email, text, or talk to on the phone. Nothing replaces “eye to eye” contact, especially if it includes having a few drinks together or maybe enjoying lunch or dinner while getting caught up.

While there is many people responsible for the success of our convention, I wanted to call out a few individuals by name: Adam Meyerson, our awesome Master of Ceremonies, San Diego Chapter President Matt Speed, BIG Latino President Rita Marquez, Rosa Spaugy (there's no way I can leave her off the list and still live at home), my dear friend Sharron Varga, Marcel Padilla and Rolando Recinos from S&R Insurance, John Wright from PriceWright Insurance, Querubina Wuence from Querubina Insurance Services, Josephina Duran from Turqueza Insurance Solutions, and Raul Garibay from Active Insurance.

We are considering moving our annual convention next year. By now, you should have received a survey in your email inbox with a few alternative locations. Please be sure to take a few seconds and vote on what you think

would be a better place for BIG Convention 2017. Maybe you like the desert, maybe Long-Beach is your preference, maybe you believe we should stay put in Riverside. Let us know.

Next up is our Northern California Minivention. Because we believe change is good, we decided to have the event over two days. On Tuesday, September 6th, we will be enjoying the Oakland A's take on their SoCal rivals the Los Angeles Angels. We will be hosting our trade show the next day in nearby Livermore. The cost for the Minivention, which includes all events, except for the baseball game, is just \$20 per person. If you want to attend the game, just add another \$10 for a total of \$30 per person. Check our website at [www.bigin-susa.com](http://www.bigin-susa.com) for registration details.

In addition to everyone I listed, I want to thank the entire BIG membership – producers, company reps and execs, vendors, and everyone else who helps our association achieve greatness. Without all of you there would be no BIG. That may be cliché, but it's also true.

Get active, Get involved. Get BIG.





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# Sidebar with Harper & Heim Lawyers

## UNLICENSED INSURANCE PRODUCTION EMPLOYEES By Jon. S. Heim, Attorney, Harper & Heim Lawyers

Often our firm is asked whether a common insurance production task may lawfully be done by employees who have no insurance production licenses. Naturally the issue arises in executive staffing decisions. Sometimes a production agency wants to hire a promising, but unlicensed employee before a license can be obtained. Too often, we hear the issue when an insurance brokerage is investigated for or charged with unlicensed insurance sales.

Both the California Insurance Code and the California Code of Regulations address exemptions from insurance production license requirements. The exemptions are created in Insurance Code section 1635. To qualify for any of these exemptions, an employee must not be paid on commission, "directly or indirectly." (Ins. Code, § 1635.) Commissioned employees include at minimum "anyone who receives from any source a fee, based on the amount of premium paid, for negotiating the sale of insurance." (Wayne v. Staples, Inc. (2006) 135 Cal.App.4th 466, 478-479.)

Here are the non-commissioned employment exemptions most relevant to insurance production.

"Employment that does not include the solicitation, negotiation, or effecting of contracts of insurance

and the signing of policies or other evidences of insurance." (Ins. Code, § 1635, subd. (d).)

"Regularly salaried administrative or clerical employees" of a licensed property broker-agent or casualty broker-agent, whose activities do not include the solicitation, negotiation, or effecting of contracts of insurance from the insuring public." (Id., § 1635, subd. (i).)

"Officers, directors, or employees of an insurer or producer whose executive, administrative, managerial, or clerical activities are only indirectly related to solicitation, negotiation, or effecting the sale of insurance, provided those persons do not have direct contact with consumers in a sales or service capacity ...". (Id., § 1635, subd. (l).)

"Employees whose activities are limited to making clerical changes in existing policies or providing indirect marketing and servicing support for the purpose of determining general interest in insurance products." (Id., § 1635, subd. (m).)

The first of these statutory exemptions is general. Anyone who does not solicit, negotiate, sign or effect insurance policies or evidences needs no insurance production license. The latter three exemptions can be summarized respectively as administrative, managerial, and clerical and indirect marketing.

The clerical and indirect marketing exemption covers at minimum the following activities. Others may fall within this exemption too. These activities are quoted from California Code of Regulations title 10, section 2193.2, subdivisions (a) through (i). Essentially they create safe harbors for unlicensed employees.

### Dissemination of Applications and Buyer's Guides

"Dissemination of buyers' guides for insurance, applications for insurance coverage, insurance coverage selection forms, or related forms, in response to consumer requests, provided that unlicensed persons do not analyze, give advice or make recommendations concerning insurance contracts or potential insurance contract terms to applicants for insurance cov-

erage, potential applicants for insurance coverage, or policyholders." (Cal. Code Regs., tit. 10, § 2193.2, subd. (a))

### Receiving Application Information

Receiving information from applicants for insurance coverage, potential applicants for insurance coverage, or policyholders, or recording information from applicants for insurance coverage, potential applicants for insurance coverage, or policyholders to give to licensees for response, provided that the unlicensed persons do not analyze, give advice or make recommendations concerning insurance contracts or potential insurance contract terms to applicants for insurance coverage, potential applicants for insurance coverage, or policyholders." (Id., § 2193.2, subd. (b).)

### Appointment Scheduling

"Scheduling appointments with licensees to discuss insurance, provided that there are no conversations, or other exchanges of information concerning insurance contracts or potential insurance contract terms between unlicensed persons and applicants for insurance coverage, potential applicants for insurance coverage, or policyholders." (Id., § 2193.2, subd. (c).)

### Getting Facts for Licensees

"Communicating with applicants for insurance coverage, potential applicants for insurance coverage, or policyholders solely in order to obtain factual information requested by licensees, provided that unlicensed persons do not analyze, give advice or make recommendations concerning insurance contracts or potential insurance contract terms to applicants for insurance coverage, potential applicants for insurance coverage, or policyholders." (Id., § 2193.2, subd. (d).)

### Accepting Premiums for Licensees

Acceptance of insurance premiums for delivery to licensees." (Id., § 2193.2, subd. (e).)

### Coverage Endorsements

"Receiving and recording insureds' requests for additions or deletions to existing insurance policies, and preparing endorsement forms for the review and signature of licensees. (Id., § 2193.2, subd. (f).)



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## Coverage and Premium Status Inquiries

"Informing insureds factually, in response to their inquiries, as to the category and financial limits of insurance coverages indicated in policy records, whether coverages are in effect and any premium balances due, provided that the unlicensed persons are not otherwise explaining, interpreting, or offering opinions on such coverages or limits, or any other terms of the insurance contracts." (Id., § 2193.2, subd. (g).)

## Reception and General Office Work

"Answering telephone calls, receiving faxes, opening electronic mail, opening written mail, processing outgoing mail, doing filing, and engaging in other general secretarial or administrative functions not otherwise prohibited herein." (Id., § 2193.2, subd. (h).)

## Translation

"Merely translating between licensees and applicant for insurance coverage, potential applicants for insurance coverage, or policyholders."

Note the recurring provisos for these clerical exemptions: no insurance solicitation or sales; no coverage analysis, recommendations or advice. These fundamental rules are confirmed in California Code of regulations title 10, 2193.3, an umbrella provision that effectively takes priority over all of the foregoing exemptions. Section 2193.3 confirms that, no matter what, the following activities require and insurance production license, "because they are directly related to solicitation, negotiation, or effecting the sale of insurance..."

## Coverage Explanations, Interpretations and Recommendations



"Explanations or interpretations of, and offering of opinions or recommendations on, insurance coverages, exposures, limits, premiums, rates, deductibles, payment plans, or any other insurance contract, or potential insurance contract, terms." (Cal. Code Regs., tit. 10, § 2193.3, subd. (a).)

## Insurance Sales

"Recommending, advising, or urging applicants for insurance coverage, potential applicants for insurance coverage, or policyholders to buy particular insurance policies or to insure with particular companies or insurers." (Id., § 2193.3, subd. (b).)

## Coverage Binding

"Binding of insurance coverages." (Id., § 2193.3, subd. (c).)

If a license is required for an insurance production activity, it is a misdemeanor to do it without one. (Ins. Code, § 1633.) Direction, operation or permission of unlicensed insurance transactions constitutes grounds for license revocation or other license discipline. (Ins. Code, § 1638, subds. (l), (m)(2), 1738.) Insurance brokerages and agencies may suffer license revocation or discipline for unlicensed insurance transactions of their employees. (See, e.g., Ins. Code, 1739.) The California Department of Insurance regards unlicensed insurance sales as serious offenses, for they subvert a fundamental power of regulatory agencies: the power to determine who will be allowed to conduct the regulated business.

If a license is required, considerations of efficiency and cost don't count. Good intentions and lack of consumer harm or complaint will not excuse unlicensed transaction entirely, likely not much and perhaps not at all. California insurance brokerages must ensure that their unlicensed employees strictly confine their activities to the foregoing exemptions. Otherwise you may need our law firm one of our esteemed peers, and your need may be sudden.

Call Jon Stanley Heim at (510) 725-7593, or e-mail him at [jshinslaw@gmail.com](mailto:jshinslaw@gmail.com) [harperandheim@gmail.com](mailto:harperandheim@gmail.com)

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# Q&A: Scott Boren

by Don Lukenbill

If you have spent any time in the insurance business, you have dealt with a general agency. For people who have decided on a career selling insurance, a general agency is usually the first appointment they get. They offer a variety of markets and allow producers to get their feet wet in a number of areas.

Sun Coast has been a top GA for over three decades. Ask anyone where their first insurance policy sale was written through and they will very likely tell you Sun Coast. If you have been to a BIG convention -- or any BIG event for that matter -- you have spoken with a Sun Coast rep. The man behind the Sun Coast marketing effort, as well as keeping all that great information flowing, is Chief Marketing Officer Scott Boren.

Recently, we (electronically) sat down with Scott and asked him a few questions about the industry, Sun Coast, and his insurance career. Here's what he had to say:

**BIG Times Magazine:** Let's talk about Scott Boren just starting out. When did insurance cross your path for career possibilities?

**Scott Boren:** Insurance, for me, like so many in our industry, wasn't my first career choice. I was prepared to begin law school when I discovered that I was going to be a father, so I had to change plans and begin making money ... not spending it. I was fortunate enough to find a job quickly working in Product Management with Viking Insurance and the rest, as they say, is history.

**BTM:** What was your first foray into the insurance business?

**SB:** My first position was as a Product Analyst with Viking Insurance, now they're known as Dairyland. As I was preparing to be a lawyer, taking an analytic position wasn't in the plans, but it was different, and that's what made it attractive. Along the way I discovered that my math skills and my instincts for insurance product design, coverage, and marketing we much better than I had anticipated, and that opened up some doors and many new opportunities available.

**BTM:** Describe the journey from your first toe in the water to where you are today.

**SB:** I'm getting a little older, so I won't bore you with all boring details. But I think that the success that I have had is largely due to me always learning, and that desire for new information has kept me prepared for the next rungs in the career ladder. For instance, when I was at Viking, my mentor and boss left for a new opportunity, and despite me only have a few years of experience, I was able to convince leadership to allow me to assume much of his role.

This was a big move as it opened opportunities later that brought me to Esurance during the startup years, which then lead me to managing profit & loss for GEICO, and then to Director of Product Management with Farmers Insurance. All these new opportunities came to me within a very short amount of time. It was all due to preparation. And if I'm being honest, a good amount of luck and good fortune.

**BTM:** What has changed between your introduction into the insurance business and what newbies are experiencing now?

**SB:** Each line of business is a bit different, but I suspect many of your readers are most interested in personal lines and maybe the auto insurance market. The biggest changes in the auto insurance space is driven by new technologies, especially those driven by the internet and other digital media. The emergence of the internet has allowed many insurance carriers to disrupt the conventional agency distribution model and market directly to the consumer.

The modern consumer is increasingly more comfortable shopping online for all forms of product, so this plays well into an online auto insurance marketing strategy. Additionally, about 33% of consumer actually prefer to shop online for auto insurance, this reality has shrunk the overall market for agents. I think this is the biggest issue for agencies that are dependent on auto insurance, most are having to diversify, or learn ways to get greater share of the 66% of consumers who still prefer or are willing to work with insurance agents.



BTM: What does Sun coast offer producers just starting out?

SB: If you're a new agent starting out, Sun Coast is willing to work with you to establish a book of business. We offer our auto insurance programs, can write their E&O Insurance for them, are willing to provide them access to commercial and marine markets. So, we are good place for new producers to start.

BTM: Obviously Sun Coast is a go-to for new agents. What about established producers? What's the attraction?

SB: Many of our established producers know us for auto insurance, and we continue to provide high quality, competitive auto insurance programs for the nonstandard market. We are consistent, we pay our claims fairly, and we conduct ourselves with a high level of integrity. Sun Coast is always looking for innovative ways to provide value to our producers.

For instance, our new DriversAdvantage program offers a unique Mexico Coverage add-on that mirrors the domestic coverages when the vehicle is driven into the Republic of Mexico. This isn't a benefit offered by any other insurance carrier. In the coming months, we'll be launching a new program that provides an attractive discount to allow us to validate annual miles using smartphone technology.

BTM: What can producers expect from GA's like Sun Coast?

SB: I can't speak for other GA's, but we are working on a lot of new and innovative things that will mutually benefit our Sun Coast producers. We'll talk about those things as we roll them out.

BTM: What do GA's like Sun Coast expect for their producers?

SB: We don't expect too much, we just want our producers to participate, and to give us a chance to earn the business. We know we offer a high quality product, that we treat our claims process with a great deal of integrity, and that we strive to innovate and

improve our products. We put forth a lot of effort, we just ask that our producer give us a reasonable chance to win in their agency.

BTM: You are a staunch supporter of BIG. Why are trade associations important for producers and companies?

SB: I do like BIG. (BIG CEO) Jon (Spaughy) has created a very comfortable environment for producers and carriers to network, and that's important. We all still need a centralized place to meet, to network, so share best practices, and to learn new things. Trade events and associations are the best way for small businesses to collectively get this done.

BTM: It seems as though many trade associations have cut back on annual conventions. Do you feel that the trade shows and networking opportunities at conventions are still a good source for business?

SB: It's no secret that trade shows have seen a dip in participation, but I see them as still being good way for producers and carriers to still network and develop new opportunities. While I'm not privy to any research on the Trade Show industry, but I think there is still a bit of a residual fallout from the market decline in 2008, and small businesses are just getting comfortable again spending money to attend these events.

BTM: If you had to boil your professional philosophy down to one sentence, what would it be?

SB: I don't know if I have an official philosophy, other than work hard and be prepared. Everywhere I've gone I've tried to innovate and create change, and I keep this quote from Hyman Rickover, the father of our nuclear navy, with me at all times: "good ideas are not adopted automatically. They must be driven into practice with courageous patience." If you have a good idea, it takes courage to believe in it, and see that dream realized.

BTM: Any last comments?

SB: Sell more Sun Coast!

# TO BE IN THE RIGHT PLACE AT THE RIGHT TIME.

## THINK LIKE A WEIRDO!

By Dana Borowka, Lighthouse Consulting

*If you or your team members are going to be sitting down for a management meeting soon, ask yourself – who is the oddest and most unusual thinker on your team... who comes up with the most fantastic ideas? Those are the weirdos in your group. One definition of a “weirdo” is one that is odd, unusual and fantastic... even a bit magical or mystical. It’s those who upset the apple cart and watch the apples roll down the street and observe the flow. Maybe it’s even the person who sees how the market place is shifting and gets everyone upset. Or the individual who has an idea on how to improve the work flow that causes everyone to pause and then reply, “We can’t do that!” Yet that idea might save 10 catching ideas seconds of time in processing orders. This multiplies out to saving 800,000 seconds a year for a department or 13,333 hours annually, which could equate to \$250,000 – 500,000 of hard earned money saved... all due to the weirdo. Now that is weirdness at its best!*

### UPSETTING THE APPLE CART

*No longer do we have boxes to think outside of! Our goal is to create the next new whatever – to help those we work with to not only improve but inspire coolness in our lives. Whether your organization is a service-based financial firm or manufacturing operation – we all need to do whatever it takes to help one another in reaching our market place.*

*Here are some questions to consider for your team:*

*What does it take to keep ongoing business and grow market share?*

*What is the first step to take to start those proverbial apples rolling?*

*Are you and your team being intuitive and what the heck does that mean anyway?*



*What are we hearing:*

*— From our market place?*

*— From staff members?*

*— From colleagues, friends, others?*

*How do we know if we are listening to what is being said?*

*The answer:*

*It takes creativity that will affect the approach and the execution. We want to create an environment of thinkers as opposed to organizations filled with silo individuals that respond with – “I can’t do that!”. The days of silo thinking are long gone. That type of thinking came about from attempting to build a machine we called “homogenizing customer service”. That is one way to lose business overnight!*

## HAVING THE "CAN DO" ATTITUDE

*Recently, I was in contact with an organization that kept telling me they can't accept bulk orders – they could only take one order at a time. I really wanted this product so I kept climbing the ladder calling back and finally found a true go getter – "a weirdo". This individual had the "can do" attitude. Due to the organizational structure this person worked in and against all odds, we found a work around! Later, I spoke to the supervisor and wrote a note to the organization about what had taken place. I received a wonderful note back from the CEO who shared how appreciative they were for the ideas I shared.*

*For them to be in the right place at the right time, all they needed to do was to listen. Now they have an opportunity to approach a huge market place that they had never thought of before. Yet – if I had not been so persistent, they would never have known nor thought about how they were closing off a source of revenue. Not only the revenue but they were also missing out on sharing a product with others who would truly appreciate it. Don't miss out on sharing your services and products due to a lack of listening. You and your organization should be thriving with your heart, mind and soul in the right place – at the right time. All it takes is to listen and then to execute through the creativity that is all around you right now.*

## BE A TREND-SETTING WEIRDO!

*What brings a company to life is a creative approach where ideas are contributed and fulfill the vision of the organization. Creativity will guide your organization to go with the flow of an ever-changing market – it will provide ideas for bringing your service or product to the market place and to stay ahead of the pack. It will produce a fun and exciting environment for the refinement of processes, services, sales, marketing, accounting, production, QC and every department in your organization. So, go ahead and be a trend-setting weirdo!*

*We'd love to hear from you about this topic – please email us at [reception@lighthouseconsulting.com](mailto:reception@lighthouseconsulting.com).*

## ABOUT THE AUTHOR

*Dana Borowka, MA, CEO of Lighthouse Consulting Services, LLC has over 25 years of business consulting experience and is a nationally renowned speaker, radio and TV personality on many topics. He provides workshops on hiring, managing for the future, and techniques to improve interpersonal communications that have a proven ROI. He is the co-author of the books, "Cracking the Personality Code" and "Cracking the Business Code". To order the books, please visit [www.lighthouseconsulting.com](http://www.lighthouseconsulting.com).*

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# INTERNET OF THINGS AND INCREASING DIGITAL DEMAND SIGNALS MAJOR INSURANCE INDUSTRY DISRUPTION

The World Insurance Report 2016 (WIR), recently released by Capgemini, identifies multiple threats pushing the insurance industry toward massive disruption. The continued evolution of the Internet of Things (IoT), combined with changing behaviors and preferences from Gen Y customers, is driving the urgent need for insurers to undergo significant transformation or risk falling behind emerging competitors.

Capgemini's Voice of the Customer Survey, covering more than 15,500 insurance customers worldwide, found that Gen Y customers are much less likely to have positive experiences with their insurers compared to other age groups, despite communicating with them more frequently. Gen Y customers have more interactions with their insurer across all communication channels, particularly digital ones. They interact with insurers up to 2.5 times more on social media than other customers and over two times more via mobile.

Those interactions, however, are resulting in positive customer experience levels that are nearly 20 percentage points lower than those of customers in other age brackets, suggesting that Gen Y customers have higher expectations for the standard of digital channels than their older peers. Given that more than one-quarter of all customers plan to purchase or renew their insurance through digital channels in the next 12 months, customer experience levels among Gen Y customers is particularly concerning for the industry. In addition, nearly one-quarter of Gen Y customers say they would be likely to buy insurance from non-traditional technology-led providers, highlighting the threat from emerging competitors to the customer base of traditional insurers.

"By not providing adequate engagement for digitally-advanced customers, carriers run the risk of pushing them toward a growing population of market entrants and non-traditional technology-driven competitors," said John Mullen, Corporate Vice President and Global

Insurance Leader for Capgemini. "Gen Y is clearly indicating that they do business differently and those insurers who respond to them on their terms will have a clear competitive advantage."

## IoT LOOMS LARGE

A more fundamental threat, or enabler, to the future of insurers is the coming wave of connected technologies, in the form of such innovations as smart home ecosystems, wearable devices and machine-enabled drones, robots, and cars. These IoT technologies are expected to transform traditional insurance business models, including everything from the way insurers connect with their customers to their fundamental assessment and management of risk. Yet despite this threat, insurers are significantly underestimating the degree to which connected technologies will be broadly adopted. Only 16 percent of insurers think customers will embrace driverless cars, for example, while 23 percent of customers express interest.

More significant than age, affluence is the most compelling factor in determining customer uptake of IoT technologies. More than 45 percent of affluent Gen X customers are likely to adopt connected devices, smart ecosystems and wearables, compared to only 30 percent to 35 percent of younger, non-affluent Gen Y customers. Customers that are both Gen Y and affluent are the most likely to adopt connected technologies (50 percent). However, affluent customers are also more likely to purchase insurance from non-traditional technology-led firms. Nearly 31 percent of affluent customers globally say they are likely to purchase insurance from technology firms, a percentage that increases to 47 percent for affluent Gen Y customers.

## REDEFINING RISK

In addition to its impact on customer connections, IoT is expected to have an even bigger impact on the core tenets of the insurance business. In a connected world,

data provided by connected devices, smart ecosystems and wearables will increase risk transparency, a dynamic that will likely lead to new business models, especially in pricing and risk control. Risk ownership will also shift with connected technologies, as responsibility for actions, for example in the case of driverless cars, moves from car owner to car manufacturer. Finally and most important, IoT looms large in managing the level of risk exposure due to safer environments. This will shift premiums significantly, threatening some carriers, but providing opportunities for those who can understand the emerging risks that are inherent as the rate of technology change becomes more pervasive in the lives of people and commerce.

Insurers must start preparing themselves for the transformation of the insurance business. The report advises insurers to build strong but agile foundations in the short term. In the medium term, they must sharpen their value propositions through strategic alliances and data-driven insights. Long-term strategies must focus on transforming the business to stay ahead of emerging risk profiles, new interaction models, changing customer behaviors and IoT's expected disruption of risk selection, pricing, and loss prevention.

"While already experiencing digital disruption, the insurance industry needs to brace itself for the massive, inevitable disruption brought on by Gen Y and the Internet of Things," said Vincent Bastid, Secretary General, Efma. "Those insurers who make it a top priority to improve their ability to manage and leverage data and risk will be the most prepared."

## THE WORLD INSURANCE REPORT

The World Insurance Report 2016 features data from more than 15,000 insurance customers globally through Capgemini's Voice of the Customer survey and exclusive Customer Experience Index (CEI), as well as findings from more than 150 insurance executive interviews. The report's research covers 30 markets across North America, Europe and Asia-Pacific representing 93 percent of the global insurance market in terms of premium income. For more information visit [www.worldinsurancereport.com](http://www.worldinsurancereport.com).

## ABOUT CAPGEMINI

With more than 180,000 people in over 40 countries, Capgemini is one of the world's foremost providers of consulting, technology and outsourcing services. The Group reported 2015 global revenues of EUR 11.9 billion. Together with its clients, Capgemini creates and delivers business, technology and digital solutions that fit their needs, enabling them to achieve innovation and competitiveness. A deeply multicultural organization, Capgemini has developed its own way of working, the Collaborative Business Experience™, and draws on Rightshore®, its worldwide delivery model.

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It's getting close to that awesome time of the year -- Summer! Officially, summer begins in the Northern Hemisphere on June 21st (summer solstice) and lasts until September 21st (autumn equinox). Below the equator, they are getting ready for winter (the tilt of the Earth and all).

Here are some summer fun facts you can use to welcome the best season of all.

The Dog Days of Summer refers to the weeks between July 3rd and August 11th. They are named after the Dog Star (Sirius) in the constellation of Canis Major. Ancient Romans and Greeks blamed Sirius for the extreme temperatures, drought, sickness, and discomfort that came in late summer.

Mosquitoes, summer's pest, have been around for more than 30 million years.

Watermelon is summer's most popular vegetable. It is part of the cucumber, pumpkin, and squash family. The average American eats 15 pounds of watermelon a year and these juicy favorites are 92 percent water.

July is National Ice Cream Month. More Americans buy ice cream in July than any other month.

The first bathing suit for women was created in the 1800s. It was long sleeved with woolen bloomers.

June is named for the Roman goddess Juno (Hera).

Romans began the summer wedding tradition, choosing June for Juno's blessing. The tradition stuck.

August is the busiest month for travel and tourism.

Days are longer in summer.

Hurricane season begins June 1st and lasts until November 30th.

The frequency of a cricket's chirps fluctuates with the temperature. If you count a cricket's chirps for 15 seconds and add 37, you will have the approximate outdoor temperature (in Fahrenheit).

The Folies-Bergere theater in New York began offering air conditioning in the summer of 1911 to lure audiences in to watch films and cool off.

Thanks to the website [www.2020site.org](http://www.2020site.org) for the great information

# THE NEW LONG TERM REGULATORY STRUCTURE: FEDERAL INSURANCE REGULATORS

For all insurers offering retail products with federal guarantees: The first step toward a federal regulator over the insurance profession is ask Congress to create an "Office of Insurance Oversight" operating as part of the US Dept. of the Treasury. Specifically, the Federal Reserve Board of Governors, with a focus on retail offerings, international issues and serving as an advisor. In March 2008, that is precisely what US Treasury Secretary Paulson proposed. I have been opposed to this method originally. I felt the NAIC (National Association of Insurance Commissioners, the 50 states and DC Insurance Superintendents, Commissioners and Regulators did an adequate job. However, I am quickly changing my views.

In England, the FSA (Financial Supervisory Agency) regulates, banks, insurance companies, reinsurance companies, savings & loans, mortgage companies, mutual funds, hedge funds and stock brokerage houses. And they do a better job than regulators do here in the USA. One agency, one regulator, uniformity, reduced chances of bribery, conspiracy and other "local" issues, etc.

Federal regulation, executed uniformly, is a life long dream of insurers and reinsurers of any size and scale. The US Treasury wants the power to charter insurance and reinsurance companies, eliminating state bureaucracies. Given the scale of this change, the insurance and reinsurance professions have given the US Treasury little input. Sandy Praeger, KS state's Insurance Commissioner and current NAIC President states, "The insurance regulatory scheme is working." The US Treasury and I disagree.

The US Treasury position is that state regulation makes it cumbersome, costly, less efficient and more discriminating for insurers and reinsurers to develop products with national sales capability. It creates tensions and issues for international insurers and reinsurers operating in the USA and for USA insurers and reinsurers operating abroad.

The Treasury's proposal allows an insurer or reinsurer to operate under a federal charter or a state charter. Obviously the insurer or reinsurer has to comply with requisite state laws.

Ms. Praeger feels offering companies a choice causes them to take the path of least resistance. In my humble opinion, that is just great! And guess what Ms. Praeger? That will increase market influences and create more competition, NOT less.

Treasury's plan creates an "Office of Insurance Oversight", and it makes sure that state insurance regulators stick to the federal government's plan as to insurance regulation. Trust me, that alone will stop "the good old boy network" from their usual schemes, bribery, conspiracy and related issues, especially in states where insurance commissioners are elected.

If you think I am incorrect, witness the bribery guilty pleas of several "class action lawyers" in the past 24 months. The broader proposal is far reaching and affects how federally regulated insurers run their businesses and how much consumers pay for insurance policies. States have great power over rates, forms, rules, underwriting guidelines and class plans of insurers currently. Federal regulators will too, but with an eye toward UNIFORM and "level playing field" structures, currently absent in state regulation. And trust me, don't listen to the "song and dance" the NAIC and local regulators give there. I've seen it firsthand, I deal with it EVERY day and it has caused a very inefficient regulatory environment.

The federal charter will ensure solvency, safety,

uniformity, sound financial footing and enhance competition. The federal charter ELIMINATES price controls, increases efficiency and provides greater consumer protection. Approval/disapproval periods are MUCH shorter.

Former Montana Governor Marc Racicot, President of the American Insurance Association, who represents insurers and reinsurers says this, "We've had basically the same insurance and reinsurance regulation for 135 years. We need to be on the cutting edge of globalization...offering new opportunities for everyone."

The profession does not unanimously support the proposal. "We don't believe you need a massive new bureaucracy," says Robert Rusbuldt, CEO of Insurance Agents and Brokers of America.

One concern of smaller insurers and reinsurers is that large multi-national firms will gain a great advantage. Smaller firms complain they would have less time to switch to federal regulation, at greater cost. What? One regulator vs. 51?

Folks, I've owned controlling interests in property & casualty insurers, I've owned stocks and bonds of insurers and reinsurers, I've been a senior executive officer for 1 Fortune 50 insurance holding company and 1 Fortune 200 insurance holding company. I've owned managing general agencies. I have raised capital in the capital markets for them (I've doing it again as I write you). Trust me it is better to have one regulator than 51. Much better.

I've switched camps and I am certain I did the right thing. You folks should too. I encourage you to help this new federal charter for insurers and reinsurers. It is the future. It is a bright future and it is an efficient, secure, profitable and smart future. I do look forward to working with the next Presidential Administration on this issue in 2017!

You decide folks!

Thank you to Jon Spaugy and the Board of BIG for allowing my viewpoints. I'll be back next time!

#### ABOUT THE AUTHOR

Stephen (pronounced Steven) Samuel Santoro is a former senior executive officer from 2 Fortune 200 Insurance Holding Companies. His background focused on reinsurance in both USA and tax haven venues. Stephen attended the University of UT from 1975/1980. He has worked in the insurance business and related businesses since 1981.

Stephen also has owned controlling interests in three managing general agencies in CA and GA and has also been a controlling shareholder of the parent of GA's oldest property & casualty insurance company's parent from July 2004 through April 2014. Since October 1988, Stephen has operated a consulting firm focusing on personal lines p/c with insurers, reinsurers and managing general agencies as clients. He has also been investing in the USA and world securities markets as a private investor with his own funds.

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# CHANGE YOUR BEHAVIORS TO BECOME A MORE INSPIRING LEADER

By Rob-Jan de Jong,  
Behavioral Strategist and Author

Habits can be a trap for people in leadership positions – whether they are in business, politics or another field.

As leaders, they should provide a compelling vision that inspires those around them. Instead, many of them lapse into automatic and mindless thinking. And that can affect every decision they make – and the actions of the people who report to them.

Too often, we don't come up with imaginative solutions because we let ourselves be ruled by routine and by preconceived notions. We think we know ahead of time what will and won't work, which makes us quick to dismiss ideas that sound too "out there." The people who answer to you learn the lesson that creative thinking is frowned upon, even if that's not the lesson you wanted to teach.

Simply resolving to have a more open mind won't be enough to turn things around. But there are behaviors and practices that, through repetition and perseverance, can help leaders and anyone else develop a mindset that's open to imaginative and better ideas.

- Formulate powerful questions. Generating ideas starts with asking the right questions and the best questions are thought-provoking. They challenge underlying assumptions

and invite creativity. They also give us energy, making us aware of the fact there is something to explore that we hadn't fully grasped before.

Train yourself to catch poorly designed questions, asked by you or someone else, and reformulate them. Questions that begin with "why," "what" and "how" are best because they require more thoughtful responses than those that begin with "who," "when," "where" and "which." Especially avoid questions that can be answered with a "yes" or "no."

- Expand your sphere of influence. We are strongly influenced, for better or worse, by the small group of people we have direct contact with. Since we tend to hang out with people who are fairly similar to ourselves, chances are we are limiting our perspectives. Make a deliberate effort to encounter people and ideas that are "profoundly different from the usual suspects you hang out with." Visit a conference of a different profession, hang out with skaters, join an arts club or buy a magazine randomly off the shelf.

- Break your patterns. You can increase your chances of seeing things differently if you deliberately break your normal pattern of working, communicating, thinking, reacting and responding. Take a different route to work. Change where you sit in meetings. If you are normally the first to volunteer, hold back.



• Learn to listen. We've all been taught the importance of being good listeners. The problem is most of us struggle to actually do it. Often when people are "listening," they really are waiting for the first opportunity to share their story, their opinion or their experience. Train yourself to engage in three pure listening conversations a week. They don't need to be longer than 15 to 20 minutes, they can be formal or informal, and the other person doesn't need to know what you're doing. Vow that you won't try to take over the conversation no matter how much you want to. Just keep asking questions and don't dismiss anything the other person says. After the conversation, reflect on what you learned. Don't dismiss any ideas or views that don't align with yours. Dare to challenge your own assumptions and reframe your beliefs if need be.

Some of these practices may take people outside their comfort zones, and everyone might not be ready to try all of these at once. But if you start to put them into practice, you'll be able to grow into a more mindful, visionary leader one step at a time.

## ABOUT THE AUTHOR

Rob-Jan de Jong, author of "Anticipate: The Art of Leading By Looking Ahead" ([www.robjandejong.com](http://www.robjandejong.com)), is an international speaker, writer and consultant on strategy and leadership themes. He serves as an expert lecturer at various leading business schools such as the Wharton Business School (USA), Thunderbird School of Global Management (USA), Nyenrode Business University (The Netherlands), and Sabanci Business University (Turkey). As a behavioral strategist, he speaks, teaches and consults on executive subjects such as visionary leadership, influence, strategic decision-making, and innovation.



# WE ARE PLEASE TO HONOR OUR 2016 BIGGIE AWARD WINNERS

In case you missed it, BIG announced the winners of its "BIGGIE Awards" at the annual convention in Riverside. The awards ceremony took place on May 7th, prior to the BIG 80's Party on Saturday night.

"These awards reflect a level of admiration the insurance community has for each winner. We surveyed 4,417 insurance professionals in California, 2,960 of whom are independent agency owners, to determine our honorees," explained BIG President / CEO Jon Spaugy. "The BIGGIE Awards presentations are a tradition at our convention and something we all look forward to every year."

The BIGGIE Award winners for 2016 are:

Standard Carrier Representative of the Year  
- Missy Alizadeh

Standard Agency of the Year  
- Hotwire Insurance

Standard Carrier of the year  
- Kemper Specialty California

Preferred Carrier Representative of the Year  
- Nancy Trejo

Preferred Agency of the Year  
- AA Lares Insurance Services

Preferred Carrier of the Year  
- Safeco Insurance

Community Advocate of the Year  
- Progressive Insurance

MGA of the Year  
- Builders & Tradesmen's Insurance Services

Vendor of the year  
- Vertafore

Hall of Fame Award  
- Brian F. Weaver

MVP  
- Mary Nell Pattridge

Technology Company of The Year  
- Progressive Insurance

"It was great to receive recognition for what we do from people we work with all the time," said two-time BIGGIE Award winner Sumy Bilal, owner of Hot Wire Insurance. "Receiving another BIGGIE award is affirmation that a small agency can make a big impact."

"BIG feels it is important to recognize the contributions made by insurance professionals statewide, whether that means representatives from companies, vendors, agencies, or any other part of our extended insurance family," said Spaugy. "The common ground all these winners share is their work for the betterment of the insurance industry in our great state of California. That's the spirit BIG wants to recognize."





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# BIG'S "LUCKY SEVEN" CONVENTION SCORES WITH ATTENDEES

By Don Lukenbill

It's hard to believe the seventh (!) BIG convention is in the books. Thankfully, the rain was never a real factor and we had good weather for the most part. There was plenty to see and do this year, starting with the Golf Tournament on Thursday and running through the BIGGIE Awards on Saturday night. In deference to Mother's Day, the annual legislative wrap-up with Jon Heim was not held so everyone could get back home and celebrate with Mom.

The on-site convention began with a full day of education. Attendees chose from seminars and CE credit courses on topics like commercial insurance, earthquake coverage, the FSC rater, immigration services and other tools for agency success. One course was even offered en español. Capping off the day, which included five hours of Trade Show and \$1,500 in prize giveaways by Progressive, was the now legendary Global Hawk hospitality party.

For those of you who missed it, there were fire dancers, belly dancers, sword dancers... practically every kind of dancing you can think of. Plus there was a (kind of) Elvis Presley lookalike working the room and mingling with the crowd. Plenty of snacks and drinks made this first Convention day a great one.

The Trade Show was open for a second day on Saturday, which is historically the



busiest. People not able to get away from work during the week come out on the weekend to enjoy all the business and networking opportunities offered at a BIG convention. The Expo hall was busy, with plenty of business being conducted, with people reconnecting with old friends while they made new relationships.

This year, the Trade Show was the biggest and best yet, with many exhibitors commenting on the quality of the leads they were getting, testament to the kind of insurance professional that BIG attracts. One particularly amusing sight was Adam Meyerson leading a large group of attendees around the Trade Show, going exhibit



to exhibit as they awarded booth prizes. It was BIG's version of the Pied Piper.

The luncheon was very nice, with some excellent comfort food. Prior to the Trade Show parade, Adam Meyerson again did an outstanding job of emceeing the event. The keynote speaker, John Micheli, provided the audience with some interesting insights into the Gen Y / millennial mind.

Using anecdotes from his own life, Micheli talked about how the boomer generation shaped the mindset and outlook of the Gen Y / millennial generation. He outlined the generational differences and how Gen Y's / millennials value trust and the pursuit of happiness over anything else. The group was characterized by Micheli as GYPSYs -- Gen Y'er Protagonist Special Yuppies. If you are interested in his presentation, titled "Working With, Training, and Selling to Millennials (Generation Y), Micheli invites you to contact him at [john.micheli@kclife.com](mailto:john.micheli@kclife.com).

The final day of BIG's 7th annual convention came to an eventful close with the annual BIGGIE Awards. BIG's resident host, Adam Meyerson started things off by talking about how the group gathered at the BIG convention was everyone's extended family. This sentiment was echoed throughout the acceptance speeches. He commented

that there were over 6,000 votes cast for this year's awards, which was a record. This was no real surprise, as the stature of the BIGGIE awards has grown every year. A poignant moment came as a surprised BIG President / CEO Jon Spaugy was presented with a special award from the BIG leadership. It read "with deep appreciation for your visionary guidance and undaunting leadership as president of BIG." A visibly moved Spaugy said "This is my family. I love doing this" That is evident by the work Spaugy and his Convention team puts in every year.

The loudest applause came after Meyerson pointed out that this was the final Convention activity and "you will no longer have to listen to my voice."

At least not until next year.

# WHAT BROUGHT YOU TO THE BIG CONVENTION THIS YEAR?

"Because of Jon Spaugy. I've been coming for many years to meet with colleagues and friends. Even though I've been in business for 28 years, I still learn something new at every convention."

- Brian Ghanem, American Power Insurance Services

"The main reason we come is to show brokers our appreciation and create new business relationships... and we are succeeding!"

- Kelly Myers, Global Hawk Insurance

It's fun. We have classes and other things that give me a better understanding and knowledge of the insurance industry. We're a small business but they treat us like a big business. I love it!"

- Emile McKendall, Hit & Go Insurance Services

"To meet agents, present my product, and network with producers and other vendors. I got some good leads, but that's why we come here. It's working out great!"

- Chris LeJeune, Hawksoft

"I want to see companies and talk business. I heard good things about BIG and wanted to come and see for myself. So far it's been great!"

- Sylvia Lopez, first time attendee, Sylvia's Insurance Services

"To connect with people in person, those who I normally wouldn't see. I always come back from the BIG Convention rejuvenated."

- David Baker, Stratum Insurance Agency

"It's a great way to invest in your business. The more you know, the better customer service you will provide and have better educated clients. That's what BIG is all about."

- Rita Martin Marquez, Active Insurance Services

"To network and see current and potential clients. This year, we have many more leads. It seems like the quality and quantity of prospects goes up every year."

- Carlos De La Cruz, AFS-IBEX