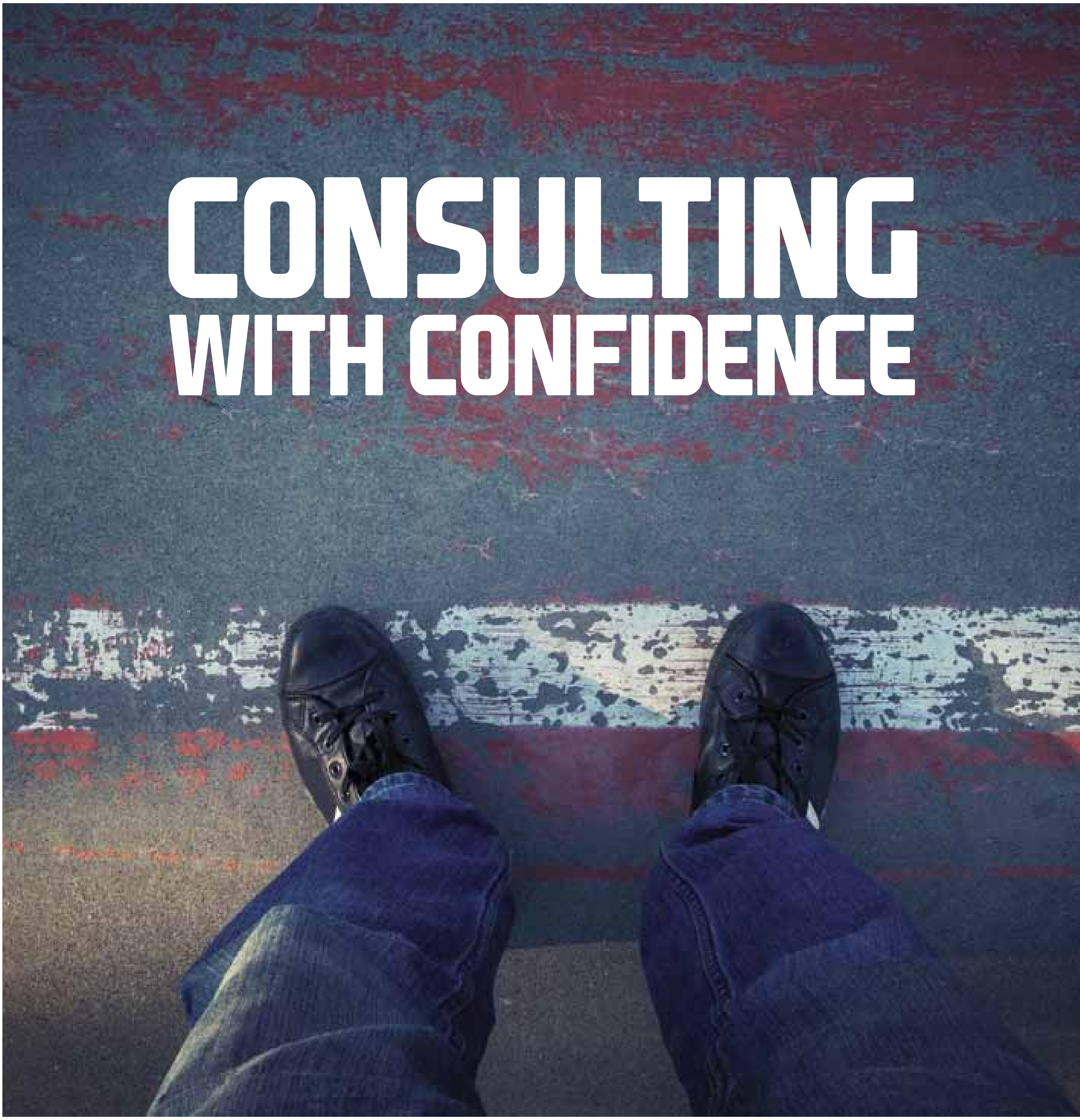
Rough Notes®

A supplement to the June 2020 issue of **Rough Notes** magazine

FLORIDA SPECIAL REPORT

CONSULTING WITH CONFIDENCE



A new approach can deliver new—and dramatically improved—results

By Kristi Hoskinson, SHRM-SCP

Mike Noble is deeply passionate about developing strong consulting skills with his Florida team. “We have been working on making these skills a part of what we do at FCCI for the past two years,” says Noble, who is Florida regional senior vice president for FCCI Insurance Group. “The results have been impressive. For example, our region wrote more new business in 2019 than in the previous 10 years. We won the business by being consultants, not salespeople. Our reputation of providing exceptional claim and risk control services has been enhanced since we introduced the program.”

When you think about your company’s value proposition, what immediately comes to mind? Can you define it? Strength and diversity of your products and services will be on that value prop list, no doubt. But what about a refined consultative approach that brings added value to your customers and enhances their customer experience?

If you are in insurance, you are in the business of selling. At the heart of successful selling is a concerted effort to know customers in a very meaningful way. Using a deliberate consultative approach develops deep trust and assurance and increases customer retention. On the surface, this may sound like a pretty typical approach for any business. How you execute on this approach, however, can set you apart.

Customer experience focus

What would your results look like if you had a focused strategy to help build, refine and sustain consulting skills for the purpose of meeting your customers' needs and selling them on solutions? Developing and maintaining a consultative approach should be a part of a company's culture and needs to be embedded in how employees think and behave. This begins with a focus on customer experience, viewing each other internally as customers (employee to employee) and then extending that mindset out to customers.

A consultative approach shows up in our day-to-day behavior when we ask ourselves, "Are we seeing this from the customer's perspective?"

Developing sharp consulting skills requires much more than offering workshops and coaching. It's about creating an experience for your employees to help them become more effective consultants—with each other and with customers. This experience should be a sustainable learning journey, challenging your team members to be the best relationship-focused consultants in the business.

Foundational approach

Many insurance professionals have years of industry experience combined with solid expertise. Having this industry foundation is advantageous from a functional and technical knowledge perspective. However, if you are not addressing your customers in a way that is meaningful to them, you're missing the mark. A starting point in all conversations requires you to put yourself in the shoes of the customer. Be very deliberate about asking the right questions in the right way to better understand where your customer is coming from. It's best not to go in "telling" them what they need to do. Rather, help your customers self-discover what is best for them and offer effective solutions that address their concerns and needs.

How you prepare for a customer meeting or conversation can make all the difference in the results. Begin with a thinking exercise to best understand what is important to the customer and what will motivate them to want to take action. By taking a moment to reflect on the situation through the lens of the customer, you position yourself well to navigate a productive conversation leading to successful outcomes.

Truly putting the customer first—even before you enter into a communication—creates a mindset regarding who the conversation is about. *It's about the customer, not you.*

The power of asking the right types of questions in the right manner cannot be overstated. When you pose great questions, you help your customer uncover what needs to be done from a solutions perspective.

You can sell to features and benefits; sometimes that works. You can sell to a customer's "wants"; that is even more effective. But, if you can sell to a customer's *concerns*, now you've hit the bullseye. The way to get there is to ask well-thought-out and open-ended questions that draw out the concerns of the customer. This is easier said than done, of course; it is a skill that requires ongoing practice.

"[O]ur region wrote more new business in 2019 than in the previous 10 years. We won the business by being consultants, not salespeople."

—Mike Noble
Regional Senior Vice President
FCCI Insurance Group

Culture counts

Finally, the art of empathizing is a key ingredient to effective consulting skills. By viewing the situation from the standpoint of the customer, you'll gain a deeper understanding of their perspective. As tempting as it is to want to "anchor in" to your own viewpoint, pause and ask yourself what it would feel like to be in their shoes. Exercise visible patience, flexibility and adaptability. In doing so, you will enhance your relationships and deepen the trust.

Creating a culture where employees are skilled in consulting communication begins with leadership buy-in and ongoing support from the top. Leaders need to model these skills continuously with their teams and hold each other accountable. Share successes with each other; celebrate the wins. Most important, recognize that taking a consulting skills workshop is not a one-time learning experience. Becoming an effective consultant is a learned behavior that takes time and diligent practice.

Maintaining such attention to consulting skills can give your company a decided advantage in the marketplace. Customers want value as a result of an interaction with an insurance professional. Focus on problem-solving and providing exceptional customer service so that each interaction delivers real value. Strive to become trusted advisers to your customers.

The industry, as a whole, will become even stronger when we all take a moment to ask ourselves, "Are we meeting the concerns and needs of our customers?" Begin from the inside out: examine your culture, ask the hard questions, analyze, and implement a strategy. Do this and, very soon, your team will be consulting with confidence. ■

The author

Kristi Hoskinson, SHRM-SCP, is director of customer and digital experience at FCCI Insurance Group. She serves as a director for three nonprofits: Team Tony Cancer Foundation, as chair; the Lakewood Ranch Business Alliance, as chair-elect; and CareerSource Suncoast. She holds a senior certified professional designation from the Society for Human Resource Management.

TECHNOLOGY KEEPS BUSINESS THRIVING

The importance of rehumanizing interactions and using technology to grow business

By Philip Visali

In recent years, we have seen big changes in the insurance arena. The industry is adapting to the ever-evolving demands of the customer, who wants specialization and the ease of use through technology. More insurance companies are advancing in technology to reach the customer and customize the insurance buying process to attract and retain them.

Now more than ever, we are seeing the willingness of independent agencies to adopt technology advancements. This provides the ability to have greater efficiencies through intuitive interface platforms, allowing a comprehensive system to serve the client. "Technology will play a pivotal role in enabling our growth," says Chris Pflueger, chief development officer of We Insure. "It allows businesses to realize the benefits of automation and a premier customer experience through connectivity."

Having advanced technology lets agency owners seamlessly transact business. Many of us can relate to the recent experience of the COVID-19 pandemic. The Florida Office of Insurance Regulation (OIR) approved insurance agents to work remotely. When this sudden change on how to operate business was announced, how many insurance agents were prepared to transition their business to work remotely? While most businesses were affected by this sudden change, agencies that were well-equipped were able to switch without hindrance.

These recent times have proven that the ease of doing business through technology allows insurance agents to focus on the customer at any time and from anywhere. Now blending the use of technology to reconnect and rehumanize our business should be the next shift. We can use these resources as an opportunity to be authentic and show the customer who we genuinely are. It can be used to improve relationships with prospects, customers, and centers of influence.

The insurance business is a relationship business, built on trust. Everyone wants to be valued and feel that they matter. It's important to build trust, communicate clearly, and provide quality service and products.

Over recent years, we have seen the diminishing effectiveness of countless emails, text messages, voicemails, and social messages. People are getting inundated with blanket communication.

If you want results, you need to have personalization and be human. Remind your customers why they chose you as their insurance agent. It's time to reconnect, and there is no better time than now with today's technology.

Keeping the mindset of staying in the forefront of technological advancements and never losing the importance of relationships is a strong foundation for business growth. "We continually look to improve how we do business. It's for the benefit of our customers and for our agency owners. We strive to stay ahead of current industry trends, and it shows through the satisfaction of both our customers and our franchisees," says Peter Crowe, chief revenue officer of We Insure.

These advancements enable business owners to create higher-value business transactions and deliver superior customer experiences throughout the entire insurance lifecycle. "To capture and keep today's consumer you must approach each customer as an individual," he adds. "That's why having options to offer, being specific to their needs, and having a sense of urgency to serve them are so important. Now is the best time to serve as champions for the insurance customers."

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There's no argument that 2020 has been an unpredictable year, marked by a pandemic and an uneasy economy. Investing in technology and strengthening relationships is a sure way to make it through any unfamiliar time—a time in which we care deeply for the health and safety of our loved ones, friends, and acquaintances.

Crowe says, "Many of us are thinking, 'How can I help?' We have to remember we can help through our profession. We are a stable force for our clients. If you have market access, you can even work to save your clients money through a new policy. Being a stable force and saving your clients money are two powerful actions that your clients will remember."

It's a time to come together to be supportive and listen. As a business owner, it's a time to remain resilient, continuing to generate growth and maintain a connection with all our contacts despite the turbulence in the global economy. ■

The author

Philip Visali began his insurance career in 1997 and opened We Insure, Inc., in 2009. Now, We Insure is a national insurance company that's disrupting the industry with an innovative business model focused on customer experience and exceptional agent support. We Insure was recently identified by independent research firm Franchise Business Review (FBR) as one of the Top 200 Best Franchises to Buy in 2020. In addition, We Insure has ranked in the top 25% of America's fastest-growing private companies in Inc. *magazine and has consistently made the top 500 list.*

CYBER SECURE

Simple steps to help your commercial clients protect themselves

By Travis Lankerd

In an ever-changing digital world, cybersecurity is at the forefront of concern for all types of businesses. Albeit a major issue of business owners, sometimes finding a starting point when it comes to protecting an entity's assets from criminals can prove to be overwhelming. However, there are a few specific things that any business owner can consider implementing to improve their cybersecurity efforts in 2020.

Don't forget the basics. Even some simple measures such as changing passwords, requiring stronger passwords, locking up paper files, and locking up the building after hours can go a long way in protecting both digital and physical assets.

It takes a team effort. Cybersecurity for business owners can prove to be even more effective when it is an enterprise-wide initiative. Many companies are utilizing market-leading resources such as Mimecast and NINJIO to improve their employees' awareness as it relates to encountering potential cyber risk. These trainings can include informative content and even test employees with fake phishing emails.

Appoint a CISO. A Chief Information Security Officer serves as a firm's cybersecurity czar! In the event of a


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breach, it is essential for a firm to have an appointed coordinator who will be able to act as the liaison among management/executive parties, legal, cybersecurity vendors (such as a breach coach), insurance personnel and even law enforcement, if necessary. Utilizing a single beacon of contact ensures that all necessary communication, documentation, and related items are being relayed to the appropriate parties within reasonable time frames.

Have a game plan. Unfortunately, potential data breaches are often pushed to the side by smaller and medium-sized businesses due to the misconception that they're unlikely to happen to them. It's not a matter of "if," but "when" a cyber breach will occur.

Failing to prepare for the inevitable is ultimately preparing to fail. That's why business continuation plans and written information security plans are essential to the enterprise risk management of a business entity. The appointed CISO can head up these projects, with plenty of support from online references and third-party services that can assist. Cyber insurance carriers offer free policyholder resources that include items such as best-practices tips and guides to help an IT team create an action plan to use in the event of a breach.

Consider using an IT vendor. An in-house IT department is a great resource to have, as these individuals not only know the nature of business operation but also are familiar with the operating systems, hardware, etc. However, in the event this luxury isn't available, a vetted and well-versed third-party IT partner can prove to be a valuable arrow in the quiver. These professionals can take some of the pressure off day-to-day business operations, as well as offer a higher level of cybersecurity, and may be able to assist in reducing a firm's cyber exposures.

Keep operating systems up to date. A simple yet often overlooked exposure is outdated operating systems. Failing to update a browser or software doesn't only mean the user won't have the newest version, but it will also expose the organization to significant potential cybersecurity risk. It should be a top priority for business owners to stay current with necessary updates and patches.

Stay in the (k)now. Another simple way to improve a firm's cybersecurity is to stay up to date on trends within the cybercrime space. Online resources like KrebsOnSecurity, BitSight, and Threatpost are valuable in providing accurate information relating to current threat trends such as the widespread phishing attacks related to COVID-19.

Be aware of the potential costs of a breach. Cyberattacks can result in many first-party costs being incurred by the business owner. These often end up accounting for most of the expenses associated with the breach. They can include a variety of things, from forensic costs and notification costs to data recovery/re-creation, credit monitoring, and more. They can also include extortion/ransom payments requested by criminals in the event of a ransomware attack.

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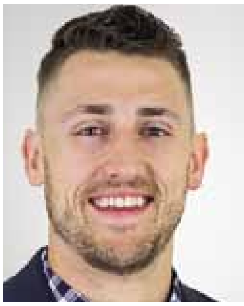
Cyberattacks that lead to the exposure of individuals' private and protected information can lead to lawsuits being filed against the business owner. These lawsuits can include class actions and can become extremely expensive between defense costs, settlements and damages awarded to third parties.

Social engineering has become a common practice of cybercriminals, as exploiting human error has proved to be a quick way for these outfits to scam hundreds of thousands of dollars in a matter of moments. These attacks are carried out in many ways, shapes and forms including (but not limited to) wire transfer fraud, telephone funds transfer fraud and invoice manipulation. This can prove to be incredibly costly to a business owner because once a large sum of money has been erroneously sent to the wrongful party, it's likely unrecoverable.

A CNBC report from last year says that, on average, a company in the United States pays around $200,000 for total damages associated with a breach.

Consider a cyber liability policy. Transferring risk via a cyber liability policy can prove to be a literal "business-saving" decision if a firm is struck by a data breach event. Adding a cyber liability policy to its cybersecurity arsenal as an additional layer of defense is something that every business should consider. Cyber liability policies can provide coverage for a wide array of third-party liabilities (including defense costs) and first-party costs, and they can even indemnify the insured for monetary loss via cybercrime attacks.

Cybersecurity may seem daunting, but it doesn't have to be. Amidst the endless reports of large-scale breaches happening to the Fortune 500s of the world, it's easy to become overwhelmed. It's important to keep in mind that improving the cybersecurity of a firm is a process. Rome wasn't built in a day, and neither will any firm's cybersecurity architecture. However, by choosing to begin with the basics, creating a plan for the inevitable and keeping all teammates educated, any firm will be off to a great start. ■



The author

Travis Lankerd joined JM Wilson in 2017 after graduating with honors from the Insurance & Risk Management Program at Olivet College. As a senior brokerage underwriter, he is responsible for underwriting new and renewal accounts, with a focus on cyber and technology, and for maintaining strong relationships with carriers and independent agents. A specialist in cyber-related risks, he has become a resource to other underwriters and a leader in his department. He has continued his insurance education by earning the cyRM (Cyberliability Risk Manager) and RCLS (Registered Cyberliability Specialist) professional designations.

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WE ARE IN THIS TOGETHER

Get out in front by encouraging and supporting your clients as they face unprecedented challenges

By Mike Arnold

To say we are living in challenging times would be a vast understatement. None of us has had to conduct business in an environment quite like the one we are facing today, and we are all working through it in what we believe are the best ways. We don't know the right strategies yet—only time and probably a few failures will reveal them. And that reality applies to insurance companies, in your agency, and in the workplaces of your clients.

But there's good news. None of us are in this alone. Unprecedented times call for high levels of cooperation and support. Here are a few ideas to help you become a valuable resource for your workers comp clients.

Individual solutions are paramount. The Centers for Disease Control and Prevention, the Occupational Safety and Health Administration, and countless other organizations have released broad guidelines for businesses to follow, but your clients may need more specialized advice. Great agents know their clients well enough to tailor those solutions. What your restaurant clients need to consider will not necessarily be what your construction clients need to emphasize. Businesses with high numbers of telecommuting staff may need additional training in ergonomics. Retail workers need to know how often to change their gloves to prevent cross-contamination. You can be the conduit of detailed information that your clients cannot find elsewhere.

Safety is more important now than ever. Like the population at large, your clients and their employees

The mantra "we've always done it this way" is more damaging than ever. … You may have clients struggling to adjust, but it can be done.

probably have mindsets somewhere between panic and eye-rolls at this entire situation. You can be the level-headed guidepost in the center. Mandating the right safety precautions gives peace of mind to those struggling to find it and provides much-needed protection to those who are more likely to downplay the danger. Also, remind your clients that safety still involves more than virus protection. These are not the best days to visit emergency rooms for any reason.

Keep client financial anxiety in mind. As you no doubt know, while safety is a first-line concern, businesses have more worries on their minds. Keeping paychecks flowing to their employees is a daily struggle for some, especially in certain service-related industries. Now is an important time to emphasize savings opportunities, like drug-free workplace programs, workplace safety credits, or opportunities to earn dividends. It is also a great time for businesses to get creative. Many businesses are exploring new ways to deliver their products or services, or they are looking for new revenue streams. Be sure to touch base to ensure that their employees are properly covered for any new ventures.

Preach flexibility and preparedness! The mantra "we've always done it this way" is more damaging than ever. Businesses must adapt. We have seen offices transition in-house staff to remote workers, brick and mortar retailers move to exclusively online shopping, and sit-down restaurants adjust menus to optimize a new takeout model. Often the key is a thorough business continuity plan coupled with a focus on cooperation and teamwork. You may have clients struggling to adjust, but it can be done. They just might need your help and encouragement.

Be proactive, not just available. I understand that your agency is likely dealing with the same set of challenges that your clients are, and you will need to dedicate staff to tackling those issues. But consider this: Now is the time you are most likely to empathize with your clients' fears and understand their struggles. Capitalize on that insider knowledge. Contact them with solutions you have discovered before they call you. Spread the message that we are all in this together, and be the helping hand your clients need. We have created a series of articles and documents to support you and your clients, from advice on working from home to new safety standards for essential workers. Many of these are publicly available on our website.

We are living in unprecedented times, but these challenges are not insurmountable. We may learn some hard lessons, and we will surely find some new ways of problem solving. But as a society, we will undoubtedly link arms and make it through. And we will be stronger for it, like every generation before us that has faced tough times. ■

The author

Mike Arnold is a senior vice president at Summit, a monoline workers compensation company that is a member of Great American Insurance Group. He has been with Summit since 2000, previously serving in the Southeast region office in Gainesville, Georgia. In 2009 he was tapped to lead Summit's sales and marketing efforts and in 2015 was promoted to senior vice president, taking on responsibility of overseeing information technology for Summit. Mike has 33 years of insurance experience on both the company and agency side of the business. He is a graduate of Florida State University, holds an Accredited Advisor in Insurance designation, is a licensed agent in all 50 states, and is a board member of the Boys & Girls Clubs of Polk County. For more information, visit www.summitholdings.com.

FLOOD MAPS

What agents need to know when FEMA flood maps change

By Patty Latshaw

From torrential rains to snowmelt, storm surge, broken dams and overflowing rivers, flooding events have affected 98% of counties throughout the United States. Just a few inches of water can cause tens of thousands of dollars in damage, regardless of whether you are in a high-risk or low-risk flood zone.

The truth of the matter is there are many misconceptions out there about flood zones and maps. When map changes occur, there is either fear because property owners think they will have to pay higher premiums or joy because they have moved to a lower-risk zone with lower premiums or no flood insurance requirements.

But floodplains are constantly in flux. Changing weather patterns, land use and development, and a variety of other factors are perpetually altering the flood risk in a given community, and lines on a flood map can be misleading.

The average cost for flood-related damage resulting from a weather event is $43,000, a much higher "premium" than a flood insurance policy, which can be as low as $400 annually. Flood zones are a tool that home owners and commercial property owners can use to determine whether they are required to purchase flood insurance. However, they are not the only factor the home owner should consider when evaluating risk.

No need to panic when moving to a high-risk zone

In high-risk areas, flood insurance is required if you have a mortgage from a federally regulated or insured lender. When a property is newly mapped from a low- or moderate-risk area to a high-risk zone, the immediate reaction is typically one of panic due to the thought of high insurance rates. However, by being well-versed on map changes in their region, there are several routes that agents can suggest to potentially help their customers save on insurance costs.

One way agents can help customers affected by updated flood maps is by leveraging the National Flood Insurance Program's (NFIP) "grandfathering" rule. If a home owner or business owner purchased a flood insurance policy before the maps were changed, they might be eligible to grandfather the flood zone in place before the map changes in the future. For buildings constructed in compliance with the floodplain management guideline, owners may be eligible to grandfather their flood zone and/or the base flood elevation if it provides a more beneficial rate, but they must keep continuous coverage in place with the NFIP on that structure. Base flood elevation refers to the elevation of surface water resulting from a flood that has a 1% chance of equaling or exceeding that level in any given year.

For property owners in low-risk areas (B, C or X flood zones) newly mapped into a higher-risk area (A or V zones), agents may still be able to help identify opportunities to save on premiums. If flood insurance is purchased up to one year after new maps go into effect, property owners are eligible for a 12-month lower premium, after which premiums will raise no more than 18% per year until they meet the full risk premium for that property.

Understanding changes to base flood elevation

"Base flood" is the 1% annual chance of flood (sometimes mislabeled the 100-year flood). The base flood elevation (BFE) indicated on FEMA flood maps is the elevation to which the floodwaters of a base flood are computed to rise to or exceed.

When BFE changes occur, it is important not to automatically assume that

existing premiums will rise. Currently, the NFIP is publishing new maps with a more precise datum (measuring system), while older maps or elevation certificates often reflect the older datum measurements. Conversion from old datum to new datum is a mathematical calculation that is best completed before a concern about premium changes from revised BFE figures. Often, although the figures have changed, the risk represented in new datum terms is usually the same. This new datum may indicate that the base flood elevation has gone down, but this does not necessarily mean policyholders will pay less or there is less risk.

Low risk does not mean no risk

Customers moving from a higher-risk zone to low- or moderate-risk areas often make the dangerous decision to cancel their flood policies. This is when agents can help customers understand their flood risk and the value of their flood insurance policy. Owners must realize that without flood insurance, they may only have their family savings to rebuild their lives.

Low risk does not mean no risk, and being labeled on a map as lower risk can offer a false sense of security to property owners. While the map may indicate lower risk, historical data shows that more than 20% of NFIP claims come from properties outside of high-risk zones. Hundreds of billions of dollars in damages have occurred in low-risk flood zones during devastating events like Hurricane Harvey and last year's record-breaking flooding in the Midwest. Many of the people affected by these events did not have flood insurance because their homes were outside of a high-risk flood zone, meaning they carried the burden of paying the full cost of their losses.

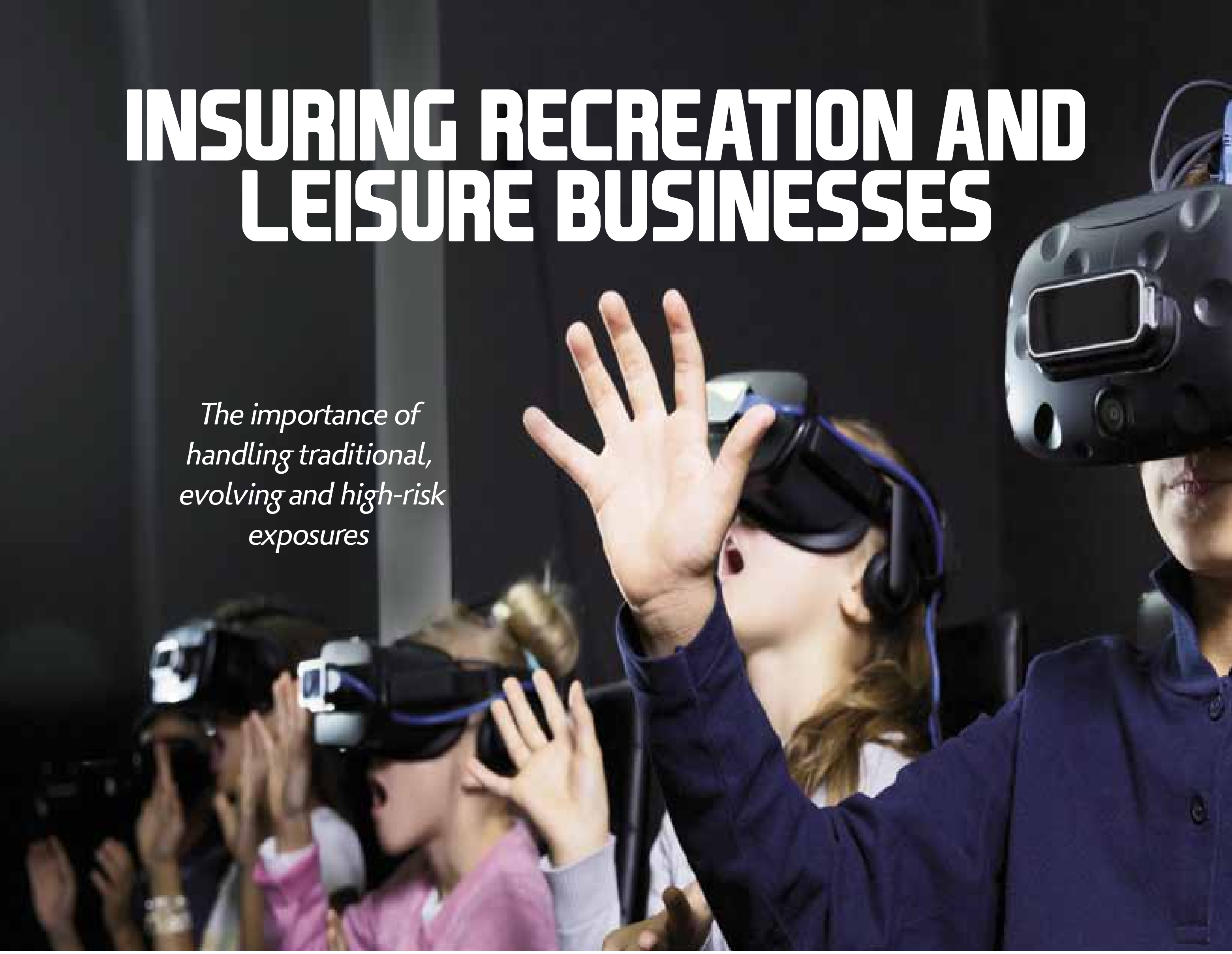
The more people within a community who have flood insurance, the more resilient the community will be to rebuild after disaster strikes. Agents can play a role in helping current and prospective customers become more knowledgeable about the realities of flooding and that Mother Nature does not adhere to lines on a flood map. ■

Agents can play a role in helping current and prospective customers become more knowledgeable about the realities of flooding and that Mother Nature does not adhere to lines on a flood map.

The author

Patty Latshaw is principal flood coordinator and senior vice president of Compliance & Agency Training for Wright Flood. She has more than 20 years of experience with the federal flood insurance program and serves on several NFIP committees. Patty is well known in the flood insurance community for her flood expertise and as an insurance agent advocate to the NFIP; she holds the Associate in National Flood Insurance designation. Rated A- (Excellent) by A.M. Best, Wright Flood offers federal, excess and private flood insurance. Visit www.wrightflood.com or wrightfloodadvice.org. To become a Wright Flood agent, call (866) 373-5663.

INSURING RECREATION AND LEISURE BUSINESSES



The importance of handling traditional, evolving and high-risk exposures

By Trish King

Florida enjoys an expansive tourism industry and a growing population of young adults, families, and retirees looking for fun ways to spend their time. Recreation and leisure businesses can be found throughout the state.

Although the industry has been hit hard by the social distancing required to slow the spread of COVID-19, it will eventually recover once the pandemic ends. When it is safe to convene in public places again, people will be eager to engage in their favorite leisure activities.

The recreation and leisure segment within Florida is wide-ranging and has a significant impact on the state's economy. The industry consists of classic recreational sites many of us frequented as kids, such as bowling alleys, miniature golf courses, and campgrounds. Over the past decade, though, many recreation businesses have begun embracing newer recreational trends, such as axe throwing, escape rooms, and rage rooms. Agents and insurers are continuing to work to best serve these classic and newer businesses and effectively manage their risks.

The leisure activities that have been around for decades are well ingrained in communities and have significant financial impact. Golf facilities, for instance, have traditionally done very well in Florida. A 2016 study by the National Golf Foundation ranked Florida second in the country for number of golfers. In a 2018 study conducted by the Trust for Public Land, Tampa ranked 10th out of all U.S. cities for the largest number of golf courses per 10,000 residents.

Other time-tested recreational businesses are also bringing in significant revenue. Fitness centers are expected to bring in more than $35 billion in 2020 across the country. There are nearly 200 bowling alleys in Florida; nationwide, alleys are expected to bring in over $4 billion in 2021. Close to 3.5 million people participate in paintball in the nearly 1,700 paintball businesses nationwide, and there are businesses offering this activity in nearly every corner of the state of Florida.

The risks

All recreation and leisure businesses carry risk and can be difficult to insure for different reasons. Fitness centers require coverage for bodily injury, and class instructors often need their own liability insurance. Golf courses are open to risks from damage to courses or potential property damage or injury. Campgrounds are difficult to insure because of risks of injury, theft, and property damage. Many recreation and leisure businesses are by nature difficult to insure because of high risk of injury, particularly if those businesses engage in potentially fatal activities. Shooting ranges and hunt clubs, for example, are difficult to insure because of the risk of injury and death as a result of misfire.

When helping recreation and leisure businesses obtain insurance policies, agents need to look for appropriate coverage for all the potentially high-risk activities in which

When helping recreation and leisure businesses obtain insurance policies, agents need to look for appropriate coverage for all the potentially high-risk activities in which they are engaged. When these risks have experienced past losses … a hard-to-place risk can become even harder to place.

they are engaged. When these risks have experienced past losses, they can be even more difficult to insure. In other words, a hard-to-place risk can become even harder to place. Motocross tracks, which can be found throughout Florida, involve clear risk and can be challenging to insure when they have experienced past accidents. A fitness center with a history of injuries to participants can also be difficult to insure.

Insurance carriers that specialize in high-risk businesses, however, can help insure these businesses that have a troublesome loss history.

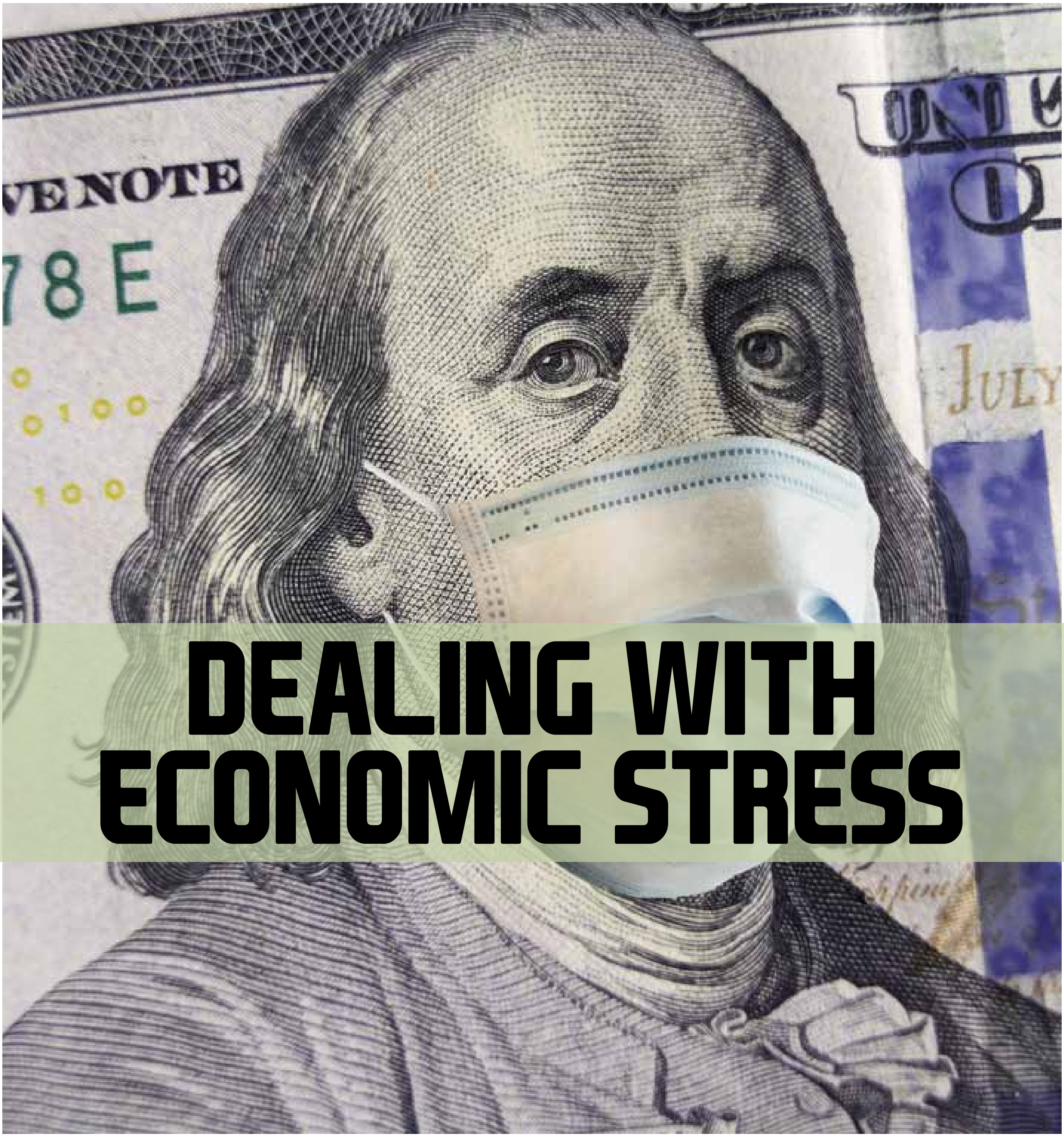
Additionally, the insurance needs of a recreation and leisure business change when they introduce a new activity. A restaurant, for instance, may add team-building axe throwing to their offerings. The owners might not realize that their new activity—which obviously involves high risk of bodily injury—may not be covered under their current insurance policy. Likewise, when a miniature golf course adds a batting cage or go-karts to diversify its offerings to bring in additional customers, it may not realize their insurance coverage needs will also change.

When looking for the right coverage, agents can help these businesses reassess their insurance needs and determine whether their current insurance policy covers the additional high-risk activity. If coverage is not placed through traditional markets, agents can reach out to excess and surplus lines (E&S) companies that specialize in coverage for high-risk businesses. E&S companies offer comprehensive solutions to help these businesses continue operating with assurance and peace of mind.

Given the abundance of recreation and leisure businesses in Florida—and this industry will come back stronger once our nation successfully ends the spread of COVID-19—a tremendous opportunity exists for insurance professionals to find the best insurance to cover the recreation and leisure industry's unique risks and diverse needs. ■

The author

Trish King, assistant vice president at Aspera Insurance Services, has over 30 years' experience in underwriting, marketing and claims in both the admitted and excess and surplus lines markets. Aspera Insurance Services acts as an underwriting manager for personal lines and hard-to-place commercial casualty risks. For more information, email marketing@asperains.com or call (804) 774-2102.



DEALING WITH ECONOMIC STRESS

How agents can help clients preserve capital through insurance premium finance

By William Villari

To use a Yogi Berra-esque quote, "You don't need it until you need it!" This is a truism for many things in life, but none more so than insurance, especially in these very difficult times. Once the need for insurance is recognized and the decision is made to buy it, then comes the fun part (joking): paying for it. Whether it is commercial or personal lines property and casualty insurance, paying for it is not easy. The good news is that with the right insurance premium finance partner, that part can be made easier.

With the unexpected and enormous social and economic impact caused by the COVID-19 pandemic, now more than at any time in the history of finance, premium financing can be a valuable financial tool for independent insurance agents to help educate their clients on preserving precious capital by paying their insurance premiums over time with monthly installments.

Typically, commercial lines insurance premiums, particu-

larly excess and surplus insurance premiums, are paid in full at policy inception for 12 months (or more) of coverage. This can require a significant cash outlay and be an intimidating burden for most businesses, especially while they are also navigating the challenges related to COVID-19. Trying to manage workforce issues, supply-chain processes, product demand estimates, product pricing, sales teams, technology changes, equipment purchases and myriad other operational issues, in addition to the coronavirus and the insurance buy—it's a lot!

Company resources are now stretched, and teams are stressed. Premium finance can relieve some of the financial burden.

By way of example, let's pretend the price of a product or service is $1,000. Money is due at the time of the purchase. But what if you were given the option to either pay in full or pay $150 now and the balance over nine or 10 months. Would that be better? Right now, the installment payment option is both desirable and economically prudent.

With premium financing, the insured preserves the option to do **any** of the above with their capital. Naturally, there is an interest charge for the use of the money, but it's tax deductible. The business calculus then becomes a question of what is the "highest and best use" of the capital. In other words, will the (estimated) return from using the money to invest in the business generate a greater return than the after-tax cost of the money? If so, then financing makes sense!

With interest rates at all-time lows, now is a good time for insureds to take advantage of payment options. Offering financing opportunities is a chance for our insurance agency partners to deepen relationships with their insureds by educating them on ways to deploy capital efficiently and productively to its highest and best use. We believe that educating the client on the nuanced benefits of their options will positively influence the agency relationship and the business outcomes.

Depending on capital structure, another bonus can be that insurance premium financing is typically considered off-balance sheet. That means it's not a liability on the balance sheet but rather an insurance expense line item on the business owner's P&L (which is tax deductible; see above!) Therefore, the premium finance loan does not impair the business owner's traditional bank lines of credit.

The past decade of low interest rates has provided compelling economic alternatives to paying insurance policy premiums in full at inception. In short, today's low interest rates—low fixed income and savings rates—lower the "hurdle" rate, making the economic case clear for using the payment option offered by insurance premium finance.

To ensure you are prepared to help insureds better preserve, reallocate and optimize their capital for their businesses and its operations, reach out to a trusted premium finance company partner like P1 Finance. P1 Finance has a 36-year history of premium financing in the Florida insurance market with many of Florida's top independent agents and brokers. Beyond Florida, P1 Finance is a leading national premium finance company, serving the needs of independent agents, wholesalers, intermediaries, MGAs, insurance companies and their insureds in all 50 states. Contact us at (877) 395-6770 or visit www.p1finance.com. ■

> *Offering financing opportunities is a chance for our insurance agency partners to deepen relationships with their insureds by educating them on ways to deploy capital efficiently and productively to its highest and best use*

One might be inclined to ask, "What's the catch?" or "How much does this cost?" Fair questions. Obviously, nothing is free, but with cash being especially precious right now, monthly installments are and should continue to be advantageous. In fact, for many, installment payments may be the only way they can afford to make the purchase.

One can apply the above example to the purchase of insurance, by financing the insurance premium.

Financing commercial and personal lines property and casualty insurance premiums delivers immediate benefits. The insurance buyer reduces out-of-pocket outlay by 80% to 90%, yet they are able to purchase 100% of the insurance coverage(s) recommended by their agent. The liquidity preserved by not paying in full is then available for investment in the business, hiring or training staff, purchasing equipment, leasing or buying space, acquiring more market share, saving, or, simply to "keep the lights on."

Prior to the outbreak of the coronavirus, the United States economy had enjoyed 10-plus years of economic expansion and a measurable improvement in prosperity across all socioeconomic stratifications. Short-, mid- and long-term borrowing costs were already low, and unemployment was at historically low levels of around 3.4%. The health and economic impact in the United States (and indeed the globe) from the coronavirus has been nothing short of calamitous. While it may not be entirely appropriate to suggest a "silver lining," an economic byproduct of the crisis is lower borrower costs. As a result of low interest rates, highest and best use calculations require a lower notional hurdle rate; thus, the spread between the return on the invested capital and the cost of funds should widen, making insurance premium finance (and financing of any kind) an attractive option for buyers of insurance who have the opportunity to invest either in their own business or in alternative investments.

The author

William Villari is president of P1 Finance. He's been in banking and premium finance for 30 years. His offices are in Norcross, Georgia. Prior to joining P1 Finance, he was president and founder of US Premium Finance. He began his banking career in 1989 at First Union Investment Banking in Charlotte, North Carolina, as a financial analyst. Villari is an economics graduate of Trinity College, Hartford, Connecticut.

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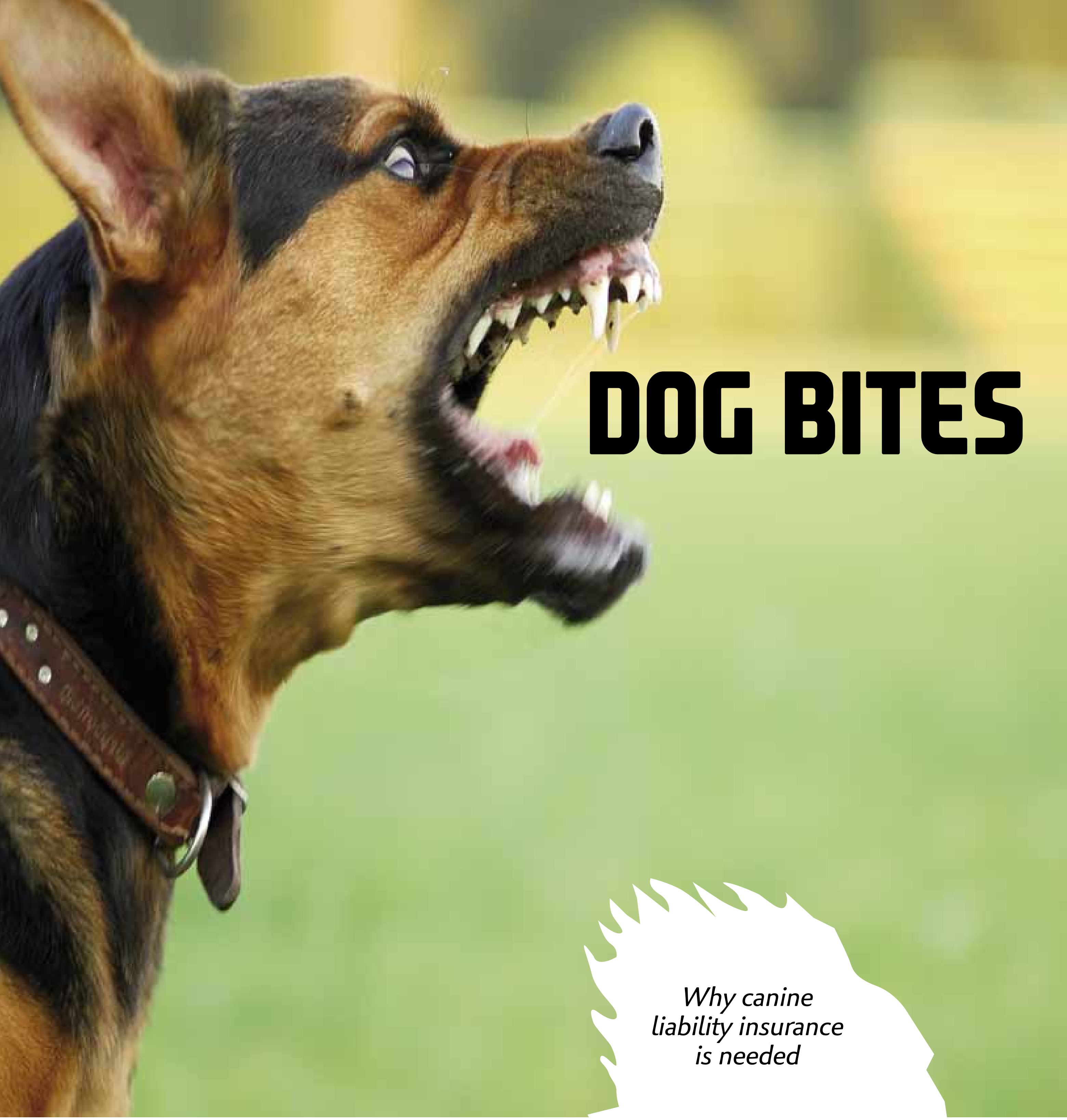

DOG BITES

Why canine liability insurance is needed

By Anthony DiBuono

For more than 16,000 years, dogs have been man's best friend—providing companionship for human beings and increasing their quality of life. Dogs are now the third most owned pet in the United States, with nearly 90 million listed as pets according to the 2019-2020 American Pet Products Association's National Pet Owners Survey. Roughly 63 million households in America own a dog, and the upward trend of ownership does not seem to be slowing down.

With the increasing popularity of dogs, it is easy to see why there has been increased media coverage when it comes to dog biting incidents and the impact this has on communities.

"How many dog biting incidents really occur?"

According to the article "Spotlight on: Dog bite liability" from the Insurance Information Institute website, the "Centers for Disease Control and Prevention estimates that about 4.5 million people are bitten by dogs each year in the U.S.," with over half of the victims being between the ages of

For as little as $250 a year, agents can provide their customers peace of mind that if their dog is ever involved in an incident, they would not be financially ruined.

five and nine years old. More than half of these incidents occurred while the dog was at its home and the victim was someone who was familiar with the dog.

Being a victim of a dog bite could end up being one of the most traumatizing incidents in a person's life, resulting in both emotional and physical scars. Such an attack could force the dog owner to put the dog down and also to incur a heavy financial burden as compensation for the victim's injuries and suffering.

"What kind of financial burden are you talking about?"

In 2019, nearly $797 million was paid toward dog bite claims in the United States, with an average cost per claim of around $45,000. In fact, since 2003 the annual claims paid for dog bite claims by homeowners carriers have increased by 145%, according to the Insurance Information Institute. Florida had the second greatest number of claims in the United States with 1,268, with an average claim payout of $53,000. As a nation, the average cost per claim rose by 15% when compared to 2018 and by 134% since 2003. It was noted in the study that the trend toward higher costs per claim was attributed not only to dog bites, but also to dogs knocking down children, the elderly, and even cyclists.

"But if most claims reported happen at an insured's home, wouldn't their homeowners policy cover it?"

Some homeowners policies do provide coverage for legal fees for dog bite claims. However, most homeowners carriers in Florida exclude animal liability coverage from their policies. This means that, if an insured's dog does bite someone, the insured would be solely responsible for all associated expenses. This puts the burden on insurance agents to not only educate their clients regarding such exclusions but also to explain the potential impact these exclusions could have if such an incident occurs.

"What can dog owners do to protect themselves from dog bite-related incidents?"

First and foremost, dog owners need to learn what triggers might cause their dog to react violently and find ways to minimize its being exposed to such possibilities. Next would be to obtain a canine liability policy to protect themselves financially if such an incident should occur. For as little as $250 a year, agents can provide their customers peace of mind that if their dog is ever involved in an incident, they would not be ruined financially.

Dogs have become part of the family, so it only makes sense to get an insurance policy to protect the family if the dog ever gets involved in an incident. ■

The author

Anthony DiBuono is director of operations, sales and marketing at Amelia Underwriters, a wholesale and surplus lines broker writing commercial and personal insurance. The firm's internet-based system allows agents to rate, quote, and bind insurance 24 hours a day, with access to policies and related documents; automated issuance and delivery of policies and endorsements; and integrated premium financing. Contact Anthony at tdibuono@ameliaunderwriters.com.

PROUD HISTORY MEETS

Florida agency blends old-fashioned values with a keen eye on the future

By Jason Mata, PIAM, CPII, CPIM, DAE

With Miami roots that go back more than a century, the Reynolds family has owned and operated Morris & Reynolds Insurance since 1950; thus 2020 marks the firm's 70th anniversary. Despite taking direct hits from monster storms like 1992's Hurricane Andrew and navigating the Great Recession, the agency continues to serve the insurance needs of its community under the leadership of Bob Reynolds, the third generation of his family to own and operate the agency.

Bob believes the longevity of his firm is rooted in an old-fashioned work ethic that his grandfather and agency founder, E.H. Reynolds, instilled from the outset, along with his team's passion to provide clients reliable service and results while embracing modern tools and technology.

"My grandfather would come home after a 12- or 14-hour day at work with two briefcases, sit down at the dinner table, loosen his tie, roll up his sleeves, and continue working while eating," Bob explains. "That work ethic, along with building and enthusiastically educating an incredible team of dedicated people who are passionate about everything they do for our clients, is fundamental to why we continue to grow and thrive after 70 years in business."

E.H. Reynolds, who grew up on a farm in upstate Vermont, was attending law school in Washington, D.C., when he was offered a job at a public utility in sunny south Florida and thus left the snow behind forever. Miami was a frontier seaport town at the turn of the last century, and his experiences purchasing land from the Seminole and Miccosukee Indian tribes, authoring Florida's first workers compensation law, and working with visionary businessman Henry Flagler made for a fascinating life.

In 1950 "E. H." opened his agency, E. H. Reynolds Insurance, in downtown Miami and began offering home,

auto, business, life, and health insurance. His foundational principles, each of which remains integral to the firm today, were offering his clients reliability, peace of mind, competitive costs, and trusted insurer choices.

In 1953, E.H.'s son, Douglas H. Reynolds, CPIA, joined the agency after serving in the U.S. Army, where he attained the rank of captain. In 1954 the agency's name was changed to E. H. Reynolds & Son Insurance as Douglas worked in the firm while finishing his studies at the University of Miami.

Nineteen fifty-eight was a busy year for the agency and family as Douglas purchased the business from his father and moved its offices to Coral Gables, where the agency would be based for nearly three decades. It was also in 1958 that Douglas merged his business with a local agency owned by Edwin Morris and changed its name to Morris & Reynolds Insurance.

In 1983, Robert (Bob) D. Reynolds joined Morris & Reynolds and, like his father before him, did so while completing his studies at the University of Miami, where he majored in finance and began his lifelong study of insurance. After graduation, Bob continued his education by earning professional designations: Certified Insurance Counselor, Certified Professional Insurance Agent (for which he has attained life member status), Associate in Insurance Services, Associate in Automation Management, and Associate in Underwriting. Today, Bob continues to find tremendous value in education and supports that passion by serving as a professor of insurance and risk management at the University of Miami.

Bob and Julianne Reynolds

"Our incredible team of professional people is what makes Morris & Reynolds so special."

—Bob Reynolds, CIC, CPIA, AAM, AIS, AU
President and Chief Executive Officer
Morris & Reynolds Insurance

Bob is justifiably proud of the business and team he's led for nearly four decades. Many of the firm's professionals have been with the agency for decades, and it's easy to see why Bob and his wife, agency vice president Julianne, see them as part of the Morris & Reynolds family.

"Our incredible team of professional people is what makes Morris & Reynolds so special," Bob says. "These are creative, caring, passionate people whom in many cases I've been honored to work with for 10, 20, 30, or more years and who share my dedication to relentlessly produce world-class results for our clients."

As the insurance industry has changed dramatically over the decades, the team at Morris & Reynolds has continued its evolution by expanding the agency in both size and scope. Today the firm is one of the largest and oldest agencies in Florida. It offers its clients solutions for all of the risks they face, including personal and commercial lines, employee benefits, and individual insurance from leading insurers and brokers.

"My grandfather would come home after a 12- or 14-hour day at work with two briefcases, sit down at the dinner table, loosen his tie, roll up his sleeves, and continue working while eating. That work ethic, along with building and enthusiastically educating an incredible team of dedicated people who are passionate about everything they do for our clients, is fundamental to why we continue to grow and thrive after 70 years in business."

—Bob Reynolds, CIC, CPIA, AAM, AIS, AU

Morris & Reynolds also attributes the firm's success to its company partners of insurers and brokers. "Our relationships with Halcyon Underwriters and Hull & Company date back decades," Bob notes. "Their creativity, market access, and business acumen are second only to the wonderful quality of their people."

As the firm celebrates its seventh decade in business, what does the future of Morris & Reynolds look like? If you ask Bob Reynolds, it will be more of that same hard work and dedicated client advocacy that his grandfather valued so many years ago, along with embracing modern digital tools and processes to serve its clients.

Such old-fashioned values never seem to go out of style, and at Morris & Reynolds, they are not only the firm's foundation but also an essential key to its bright future in sunny south Florida. ■

About the author

Jason Mata, PIAM, CPII, CPIM, DAE is business development specialist and compliance officer at Maitland, Florida-based Halcyon Underwriters, a division of Hull & Company, LLC.

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THE PERFECT STORM

Unrelated events have converged to create an impact

By Vincent Stazzone

Prior to COVID-19 turning our world upside down, another storm was brewing in the Florida insurance marketplace. The delicate balance of supply and demand in the dealer insurance space had shifted, impacting many types of dealerships, including auto, used car, truck, RV, and motorcycle.

From my perspective, the "perfect storm" is actually several unrelated events that have all occurred within the past two to three years. These events fall into two buckets. Bucket #1 is the change in appetite within the marketplace by key insurance players. We've seen a withdrawal or material pullback from historically key players in the Florida dealer space. Generally speaking, this includes markets such as AmTrust, Mapfre, Nationwide, and Zurich.

Bucket #2 is the string of recent catastrophic weather events. Think back to the Atlantic hurricane seasons of 2017 and 2018. Overall, 2017 was the costliest and one of the deadliest on record. Impacting the United States insurance markets were Hurricanes Harvey (Texas), Irma (Florida), and Maria (Puerto Rico). The 2018 Atlantic hurricane season impacted the United States insurance markets with Hurricanes Florence (Carolinas) and Michael (Florida). On October 10, Michael made landfall with sustained winds of 155 miles per hour, devastating parts of the Florida panhandle.

The effect

Combined, these events created a void or vacuum in the Florida dealership marketplace and have had—and are still having—a real impact on dealers within Florida. Examples of the impact related to the devastating storms include higher pricing and the reduction of coverage availability. In addition, "package" offerings that include dealers open lot coverage (inventory) and property coverage are not as readily available as they were just a short time ago. It is not uncommon now to need several different policies to protect your clients instead of one.

Wind, hail, storm surge, and/or flood coverages are more limited today on dealers open lot coverage in Florida. Coastal counties are feeling the impact much more than inland counties due to the proximity to the coast (wind) and tidal water (storm surge). The same applies to dealers that are located in land areas that are at high risk for flooding such as properties located in special flood hazard areas (SFHAs) as identified by FEMA.

Also, wind/hail coverage is somewhat more limited today on property coverage (buildings, business personal property, business income, etc.). Although you may no longer be able to insure the property coverage on your garage liability package policy, the stand-alone property marketplace is much more abundant than the stand-alone dealers open lot marketplace. The cost likely will be higher, but capacity for stand-alone property coverage remains healthy, as there are more markets writing this type of coverage. However, the marketplace for stand-alone dealers open lot coverage has always been limited. Historically, it has been a very niche part of the commercial insurance business.

The delicate balance of supply and demand in the [Florida] dealer insurance space had shifted, impacting many types of dealerships, including auto, used car, truck, RV, and motorcycle.

As some of the leading insurers of dealers have withdrawn or pulled back from the dealer space, this has accelerated that vacuum and is having a fundamental impact on the carriers still writing coverage in Florida. The cumulative effect has been to limit the available insurance capacity. Think about all of the dealers that were or are being displaced and looking for replacement coverage from a smaller number of markets.

It is important that both you and your clients are aware of what is going on in the marketplace, and it is important that you make informed decisions regarding the insurance program protecting your clients' legacy.

What to do

You're probably asking, "What can be done to help your clients navigate this environment?" Great question! Here are some things to consider:

- Understand the impact of supply and demand—fewer insurance markets with more dealers looking for coverage. This means insurance underwriters are going to be more selective. Now is the time to review management practices and company policies to ensure that your clients are among the cream of the crop.
- With limited markets in play right now, your client's account must be properly presented to the insurance markets.
- Budget for today's environment as premiums are rising.
- Help develop a vehicle hurricane evacuation plan. Underwriters today want to see that dealers, first, understand the potential exposure and, second, have taken proactive steps to help mitigate losses.
- Remember that all insurance policies are not created equal. You must look beyond the simple review of limits and pricing.

The proper protection of your clients' business is critical. Help them to avoid jeopardizing and exposing their business to either having no coverage or having a difficult time purchasing proper coverage in the future. Over the next 12 months you will want to pay extra attention to your client's insurance program. Keep in mind that like other industries, the insurance business is cyclical. New players are entering the marketplace and will help fill the current void, and some of the existing players are working on increasing their capacity. ■

The author

Vincent Stazzone is a garage liability specialist. Along with his team at the Williams and Stazzone Insurance Agency, Vincent has been specializing in dealerships for over 30 years. Direct questions to (800) 868-1235 or info@wsins.com.

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