Rough Notes®

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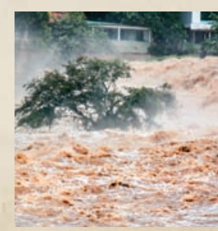
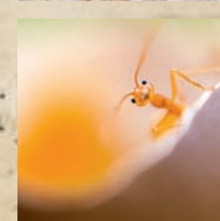
2018 Florida
SPECIAL REPORT

UNDERSTANDING CONSTRUCTION LIABILITY POLICIES

Dealing with complexities of coverages, exclusions, and endorsements

By Douglas R. Holmes

Reading the typical construction liability policy and associated endorsements—let alone understanding them—can be a daunting task for policyholders and even for trained insurance professionals.

Typically, the policy begins with the Insurance Services Office Commercial General Liability Coverage Form (CG 00 01 04 13) or a similarly worded manuscript form. The ISO form is often referred to as the broad form. This one-size-fits-all basic form is used in many trades other than construction to provide liability coverage for ongoing activities as well as completed products or projects.

Because of the complexity of construction coverage, the activities it encompasses, and the potential for significant losses, a typical CGL policy includes several endorsements, both those promulgated by ISO as well as manuscript endorsements.

Carriers like the standardization and uniformity of interpretation in ISO forms, and they likewise are popular with policyholders, certificate holders, and agents and brokers. Also, ISO terms in the policies and endorsements typically have been reviewed by courts and tend to be subject to predictable judicial interpretation. This, however, has not always been the case.

Some certificate holders, usually those associated with large bank-funded projects or public entities, may specify particular ISO forms or their equivalent as a bidding condition. Manuscript forms also have advantages. Coverages and endorsements are tailored to the specific needs of the policyholder, and more pricing options are available than is the case with standard forms.

The pricing basis varies from program to program and can be based on gross sales, number of employees, or payroll. Other factors used to determine price are volume discounts, minimum pricing, loss history, activity-based class codes, and location.

Basic coverage

Coverage A of the ISO form applies to bodily injury and property damage liability. A loss must be caused by an occurrence that *takes place during the policy period* and *was not known to the insured prior to the policy's effective date.* Manuscript policies tend to contain similar provisions. These time limitations apply whether or not the loss is a result of ongoing operations or completed projects.

Most policies issued to smaller contractors or artisans contain restrictions or exclusions for work that commences prior to policy issuance or renewal. Colorado enacted a law that precludes carriers from excluding prior work from a construction liability policy. ISO policies contain prior work restrictions/exclusions via endorsements. Both the CGL and manuscript policies contain detailed explanations of what is meant by "known" and to whom the knowledge is imputed in situations that involve prior work issues.

An unpleasant surprise can occur when the policy is terminated. At that point the completed operations coverage terminates as well.

Here's an example: A contractor who had been installing patios and decks for 10 years decided to retire. The contractor operated as a sole proprietor and always purchased the standard CGL (ISO version 1985 or later). The contractor retired in 2016 and terminated his policy in that year. In 2018 one of his customers experienced a sudden collapse of his patio cover because the bond beam was inadequately attached to the main structure when the patio was built. The collapse caused significant bodily injury as well as property damage to the structure and patio furniture. This loss was not covered because it took place after the policy was terminated.

Unlike an errors and omissions policy, which is written on a claims-made basis, tail coverage is not available on the CGL policy. The contractor's only options were to attempt to renew his CGL for a reasonable period after his retirement or to replace the coverage with a policy that did not contain a prior work exclusion.

2 ♥

ISO terms in the policies and endorsements typically have been reviewed by courts and tend to be subject to predictable judicial interpretation.

2 ♥

States have different statutes of repose [limitation] for filing a lawsuit for injury or damage caused by latent defects. Some, like California, specify 10 years from the date of project performance; others have equal or shorter periods of time in which to legally assert a claim for latent defects.

Endorsements

In addition to endorsements that modify prior work exclusions, endorsements can modify aspects of the policy that either restrict or extend coverage; they also can provide further explanation or definition of policy terms and conditions. The retail broker must be familiar not only with the basic coverages in the policy form but also with the available endorsements, as well as the pricing options and the insured's needs and desires. Smaller contractors may view pricing to be more important than coverages. Typically, the savvy retailer will have the policyholder sign a disclosure form that identifies the important restrictions in the policy.

A typical endorsement is one that covers additional insureds with whom the policyholder is under contract; these can include the general contractor, property owner/developer, government entity, or third-party financing entity. The additional insured, unlike the named insured, does not have control over the policy and cannot cancel or renew it.

Certificate holders require additional insured endorsements and certificates of insurance to confirm that coverage is available from the contractor and to demonstrate that they have the right to submit a claim under the policy directly to the carrier. Another endorsement typically needed by certificate holders requires the carrier to waive subrogation rights against the additional insured. Other endorsements state that the contractor's or subcontractor's policy is primary and noncontributory, thus protecting the certificate holder and its policy from exposure or contribution on a loss that should be the responsibility of the policyholder and its carrier.

Both the CGL and manuscript policies exclude war, nuclear hazards, and other perils. Construction liability policies typically contain other exclusions, which vary among carriers and program administrators. It is important to understand how these exclusions—everything from blasting and open roof activity to prior work and other activities—may affect the policyholder.

Summing up

Although the sale of construction liability policies involves some degree of challenge, it can be both stimulating and profitable. The applicable laws, court rulings, policy forms, pricing, available products, and programs tend to be in a perpetual state of flux. Support is available from carriers and wholesalers. The agent or broker should feel comfortable asking questions or consulting with appropriate experts regarding issues of concern. ■

The author

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PRIVATE FLOOD: YOUR DUTY TO CLIENTS

With new choices in flood insurance, focus on coverage, not just price

By Dwayne LeBlanc

When it comes to flood insurance, for years we have heard from customers, "I thought my homeowners insurance covered that!" or, "We didn't have flood insurance because where we live, we didn't expect we'd need it." Now, after recent damaging storms, it's not uncommon for us to hear, "When I bought flood insurance, I didn't realize there was so much that was not covered."

To respond to client needs, agencies should offer private flood choices. But they also need to resolve looming-concerns about errors and omissions (E&O).

Do you write private flood? If so, what is your duty to your clients? As an agent, your role is to help your client make the best choice for their individual risk. Every consumer prefers choice; however, not every consumer understands insurance, much less the latest flood options that are available.

As professionals, we need to understand the consumer's flood risk, the related laws that impact the consumer, flood insurance coverage forms, and the flood insurance markets that are available to our clients. Sell your customers on the benefits they deserve, educate them on their flood risk, and help them purchase a flood policy they understand—and that meets their needs.

Available markets

For the longest time, the National Flood Insurance Program (NFIP) was the only provider of flood insurance to property owners. The standard policy offered by the NFIP, unlike most property insurance policies, was not intended

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to return insureds to pre-loss conditions, but to "assist" them in repairing their home and getting back on their feet. With that goal in mind, NFIP coverage that can be purchased on a residential building is capped at $250,000, with $100,000 of residential contents coverage available as an add-on.

However, in recent years we have seen flood insurance from private insurers emerge, primarily in the excess and surplus lines markets, offering more choices in flood coverage and amounts available. Private insurers now offer everything from coverage that mirrors, for a lower premium, the NFIP policy, up to a special form (HO3) for only the peril of flood with similar or higher limits available. The special form flood policy was designed with expanded coverage to put insureds back where they were prior to the loss. In other words, it covers the structure for all perils except those specifically excluded in the policy.

So, the burning question is: If you are selling coverage, do you want to put your clients in a basic habitat or restore them to the condition they were prior to the loss?

Sell your customers on the benefits they deserve, educate them on their flood risk, and help them purchase a flood policy they understand—and that meets their needs.

Sell choice

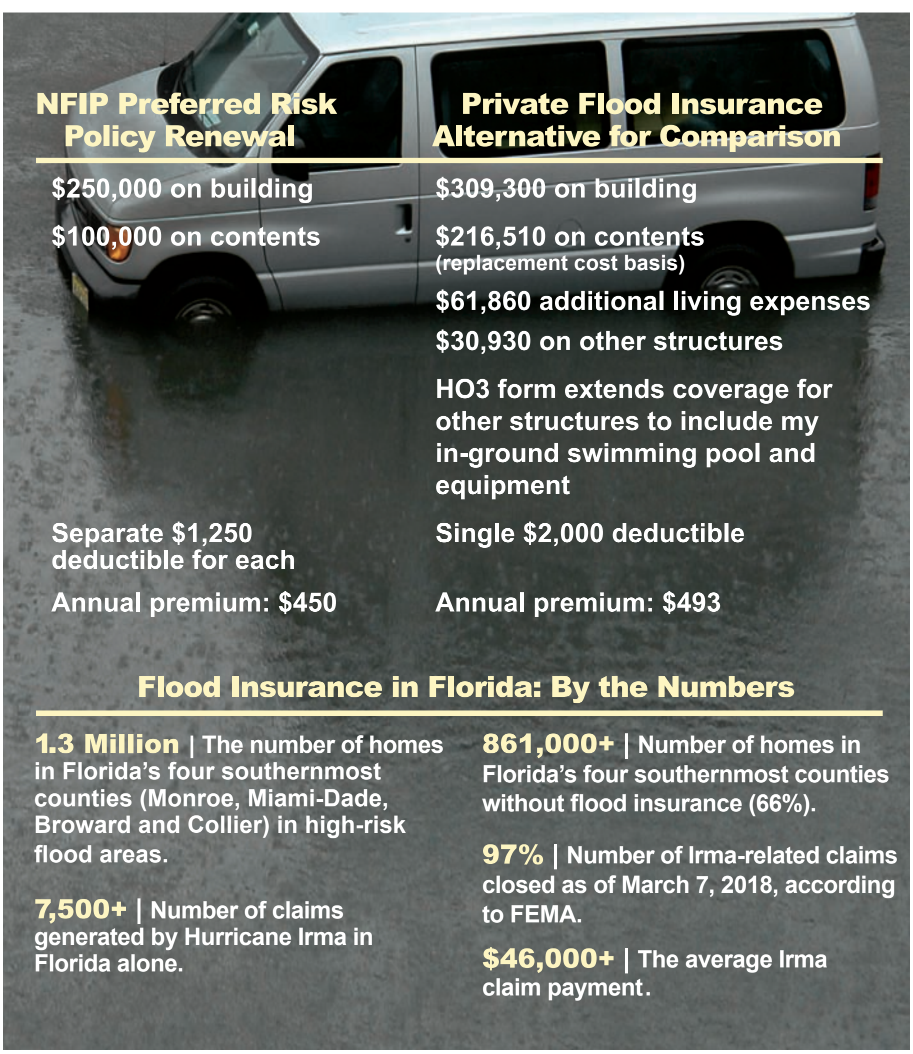
Private flood insurance gives customers a decision to make where they did not always have one: Choose the customary NFIP flood insurance policy or pick a private flood alternative.

To illustrate this point, I recently decided to renew my personal flood insurance with a private flood alternative. Here's a comparison of the two plans that influenced my decision:

As you can see, the private option offered better coverage for a minimal cost increase. Surprisingly, this tends to be the case more often than not. If that's not enough to convince a client, my policy dictated that, to be compliant with mandatory purchase requirements:

"If the National Flood Insurance Program for flood insurance to dwellings provides broader coverage than that provided under this insurance, that broader cover will automatically apply to this policy without additional premium charge."

As they say, a picture is worth a thousand words. If you or a client was impacted by Hurricane Irma, could the NFIP coverage you're selling paint a picture as attractive as what the private alternative would provide?



NFIP Preferred Risk Policy Renewal	Private Flood Insurance Alternative for Comparison
$250,000 on building	$309,300 on building
$100,000 on contents	$216,510 on contents (replacement cost basis)
	$61,860 additional living expenses
	$30,930 on other structures
	HO3 form extends coverage for other structures to include my in-ground swimming pool and equipment
Separate $1,250 deductible for each	Single $2,000 deductible
Annual premium: $450	Annual premium: $493

Flood Insurance in Florida: By the Numbers

1.3 Million | The number of homes in Florida's four southernmost counties (Monroe, Miami-Dade, Broward and Collier) in high-risk flood areas.

7,500+ | Number of claims generated by Hurricane Irma in Florida alone.

861,000+ | Number of homes in Florida's four southernmost counties without flood insurance (66%).

97% | Number of Irma-related claims closed as of March 7, 2018, according to FEMA.

$46,000+ | The average Irma claim payment.

You, the professional

The latest flood reform efforts by Congress have the potential to provide additional momentum in the private marketplace by authorizing significant cooperation and coordination between FEMA and the private insurance industry with the intent of providing consumers with real choices.

Closer to home, Florida has roughly 2.5 million homes in flood hazard zones, more than three times the number of any other state, FEMA estimates. Yet, across Florida's 38 coastal counties, only 42% of these homes are covered, and Florida's overall flood insurance rate for hazard-zone homes is 41%.

The more you know about the ever-increasing risk of flood, the better equipped you will be able to sell the coverage. With statistics like that, there should be no question that you should offer every property owner the opportunity to purchase private alternatives, providing your clients with options that will meet their flood insurance needs. And with so much on the line, your clients deserve the opportunity to decide.

Are you offering flood insurance to your clients? And if so, are you selling coverage or price? The way you address these questions could have a tremendous impact on your client, your agency and the resilience of your community. ■

The author

Dwayne LeBlanc is vice president of business development for Wright National Flood Insurance Services, the largest flood provider in Florida and in the United States. www.wrightfloodadvice.org

FIVE TOP RISKS

Aon Programs business leaders discuss market-specific specialty insurance issues

By Jennifer Torneden

Success in the specialty insurance arena is driven, in large part, by niche-specific market expertise. Florida brokers can better serve their clients—and engage prospects—if they have solid understanding of current risks in specialty insurance. To help agents and brokers keep up on issues, five business leaders, each part of Aon Programs, discussed the top area of risk in their respective market.

Flood risk: apathy

According to John Dickson, president of NFS Edge, too many property owners today are "blissfully ignorant of the flood risk they face. Even after the 2017 season, which saw Hurricanes Harvey, Irma and Maria cause billions of dollars of damage to the southeastern seaboard, the public still struggles to see the value of flood insurance."

According to data found in the "Assessing Your Flood Risk" section of FloodSafety.com, during a 30-year mortgage, a property owner is 27 times more likely to experience a flood than a fire. "Yet only 20% of the damage caused by Harvey was insured by flood insurance," Dickson notes. "Conversely, 90% of damage caused by the 2017 wildfires in northern California was covered by fire insurance."

He points out that, after a hurricane season, people tend to think, "It was bad, but we'll get past this. It won't happen again."

"This," Dickson says, "is the root cause of the struggle people have with flood insurance. They get comfortable

and they don't think ahead, especially while the sun is shining.

"While Florida has a higher rate of property owners carrying flood insurance than the rest of the nation, inland cities such as Orlando have lower rates of insured property owners," he observes. "Most of these homes are outside the 100-year flood plain, and home owners aren't required by their mortgage company to buy flood insurance."

FEMA is remapping flood zones in much of the country. "Broward County is a coastal area, yet thousands of properties have been moved from A to X-zone, which sends the message that home owners don't need flood insurance," Dickson says. "Brokers will play a critical role in advising clients to retain coverage."

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>
> *—Coleen Kelly*
> *Vice President*
> *Affinity Healthcare*

Fine art risk: catastrophes

Coupled with the onslaught of wind and flood damage associated with Hurricanes Harvey, Irma and Maria, the catastrophic California wildfires and mudslides in 2017 were truly alarming, from both a personal and insurance industry perspective, observes Joseph Dunn, president of Huntington T. Block (HTB). "In the past, there would be a lull between events, as was the case between Katrina in 2005 and Sandy in 2012. Now, weather-related severity and frequency dynamics are increasing as we face multiple, successive catastrophes in a single year.

"Generally," Dunn notes, "when something gets wet or blown over, it can be conserved. But when it's completely incinerated, there's no possibility of restoration. Such was the case with the wildfires in California. Many homes, including those in luxurious neighborhoods, were burned to the ground and the damage caused to art collections was devastating."

For instance, one prominent private collector, an HTB client, had their home completely burn to the ground. "In the process, nearly $10 million worth of artwork went up in smoke," Dunn explains. "For that particular family the loss was as emotional as it was physical. And sadly for the country, an important part of our collective cultural fabric was lost forever.

"Meanwhile, we had another prominent collector with a waterfront home in Palm Beach that experienced hundreds of thousands of dollars of damage from Irma," Dunn says. "Given the massive aggregation of wealth in Palm Beach County, the insurance industry is fortunate that the hurricane tracked west."

Most individuals choose not to carry stand-alone flood insurance. "Fortunately," Dunn notes, "specialty fine art insurance policies typically do not exclude the peril of flood, so it's definitely in the financial interest of wealthy individuals with art collections to obtain this essential protection, particularly since homeowners policies *do* exclude flood coverage."

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Home health risk: malpractice

Florida ranks first in the nation for the percentage of its population over age 65. The state is home to 3.3 million residents age 65 and older, and that number is projected to increase to 10 million by 2030. According to a *Palm Beach Post* "Florida's Aging Population" report, within Florida's senior population, one in 20 residents is age 80 or older.

According to Coleen Kelly, vice president of Affinity Healthcare, "With the aging of the Baby Boomer generation has come rapid growth in the home healthcare market. People today do not want to live in nursing homes. They prefer to remain in their residence, where they're more comfortable living independently and where costs are lower."

To meet this demand, home healthcare agencies provide skilled and unskilled services. In addition to nursing care, they provide non-medical custodial care with home health aides and companions who support activities of daily living including cooking, cleaning, and assistance driving patients to appointments. "Unfortunately," Kelly notes, "with the high number of residents needing home healthcare, these agencies are having a hard time keeping up with the demand.

"With the overburdening of home care agencies comes malpractice claims," she adds. "Recently a home health aide took an elderly client shopping— and subsequently lost her in the mall. The woman was found the next day outside, having died from exposure to the elements. The end result was a malpractice lawsuit that settled close to policy limits.

"Common malpractice claims involve helping patients with the support of daily activities, like bathing," Kelly says. "Lifting patients adds to the exposure. Brokers should be aware of their home health clients' exposures, including professional liability and hired/non-owned auto to ensure they have the proper coverage in place."

Special events risk: bodily injury

Special events cover a wide variety of potential exposures, from a one-day fair at a local church to a week-long art festival at a university to a musical concert that travels across the country for a year. Stephanie Waldron, senior vice president of K&K Insurance, explains to agents and brokers, "The venues for each will require your client to provide a certificate of insurance showing general liability coverage.

"One of the most common bodily claims we see arises from the use of golf carts," she explains. "Organizers will use golf carts to run entertainers or staff members from spot to spot on the event grounds."

Recently, the company settled a claim that exceeded $500,000 at a large fairground. "An employee who was headed to the parking lot offered an elderly woman a ride," Waldron notes. "He made a sharp turn, causing the woman to fall from the cart and suffer a head injury.

"If someone were to walk into your office with a special event, you might be intimidated when looking at the venue contracts, especially if the event involves fireworks or liquor liability," she adds. "K&K is happy to help a broker secure the coverage the client needs."

Nonprofit risk: cybercrime notification

According to Sylvia Tagle, executive vice president of Ian H. Graham Insurance (IHG), a primary concern in Florida is the privacy data breach statute, known as the Florida Information Protection Act. "The provisions of the law are not very well known in the insurance community, particularly when insuring community associations," Tagle says.

Here are the primary provisions of the statute:

- Any commercial or governmental entity that stores personal information is subject to the law.
- The entity is responsible for taking reasonable measures to protect the data in its care, such as names, email addresses and Social Security numbers.
- Persons affected by a breach must be notified within 30 days from the time it is discovered.
- Violations are subject to a $1,000-a-day fine up to 30 days and a $50,000 fine for each subsequent 30-day period, not to exceed $500,000.

"Most cyber liability policies will provide some assistance in complying with Florida's notification requirements," Tagle explains. "The challenge is that there is no standardization within the industry. Many liability policies offer as little as a $25,000 or $50,000 cyber sub-limit."

"It is important for brokers to make sure their client is receiving coverage for first-party and third-party claims," Tagle notes. "The IHG D&O policy for community associations provides coverage up to the full limits of the policy for third-party liability claims and $100,000 for first-party expenses, such as notification costs."

Broker response

Staying abreast of emerging risks in the specialty insurance marketplace can help brokers recommend the appropriate coverage to their clients and minimize their chances of experiencing an errors and omissions claim. ■

The author

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INSURING FLORIDA: A UNIQUE RISK

The surplus lines market fills a void in risks the admitted market won't or can't write

By Kimberly Mask

Florida is a unique place. In fact, it's so unique there have been books written, documentary films made, podcasts produced, and hashtags started, all in the name of pointing out just how different things are in the great State of Florida.

This uniqueness is exhibited in the insurance market—specifically property and casualty insurance—in that it is unlike any other state in the union. With land in the Sunshine State being mostly coastal or coastal-adjacent, there are a significant number of properties with high risks, making insuring those properties unpredictable. This means many of these properties are covered in the surplus lines insurance marketplace.

What is surplus lines insurance, you ask?

Surplus lines refers to a supplementary insurance market within the property and casualty arena.

The majority of property and casualty risks are insured in the *admitted* market, but when those risks are too high, too unique, or too distressed, the admitted market may not be able to insure them properly. This is when people turn to surplus lines insurance, which is provided by *non-admitted* insurers.

Non-admitted insurers are better able to provide these coverages because they are not restricted by the rates, forms, and underwriting approvals required in the admitted market. This allows insurance companies to underwrite these specialized risks adequately. As a result, consumers are provided with coverage they may not otherwise receive. The surplus lines market tries to fill a void in the risks the admitted market will not or cannot write.

Surplus lines coverage generally falls under three categories: distressed, unique, and high capacity.

Distressed risk applies to properties with unfavorable conditions that could cause a high frequency of

The Sunshine State's coastal properties are at almost constant risk of wind damage from storms. The June-to-November hurricane season is often unpredictable and volatile, making it somewhat difficult to assess even inland properties, much less coastal properties. Winds from hurricanes can level entire cities in coastal areas. In 2004 and 2005, Florida saw record-breaking hurricane activity, with nine hurricanes making landfall and leaving thousands of Floridians homeless, and causing tens of billions of dollars in property damage.

These historic storm seasons marked a turning point in the surplus lines marketplace in Florida. Since then, there has been a sharp increase in policies exported to surplus lines. In 2006, surplus lines coverage rose to $4.5 billion in premium, a record high at that time, and we have not since returned to pre-2006 levels. Another tumultuous hurricane season could bring another large increase.

Commercial liability coverage also represents a large portion of the surplus lines policies written in Florida. This is likely due to the fact that Florida has a very high population and a sizeable economy, relative to other states. These two factors make for a very litigious state. The Sunshine State is known to have a high number of lawsuits, which heightens the importance of commercial businesses carrying large amounts of liability coverage. Often these liability policies fall into the "high capacity" category and are exported to the surplus lines market. Exportation of commercial liability coverage to surplus lines has been increasing over the years and is not expected to go down.

With Florida's unique geography and population, it is reasonable to assume the surplus lines insurance industry will continue to grow and thrive. ■

With land in the Sunshine State being mostly coastal or coastal-adjacent, there are a significant number of properties with high risks, making insuring those properties unpredictable.

claims and high losses.

High-capacity risk applies to properties that need such exceedingly high limits that admitted insurers do not have the resources to underwrite them.

Unique risk applies to risks so unusual and specific that most admitted market insurers do not have the expertise to write such coverage.

While Florida surplus lines covers all three risk sets, distressed risk is the most commonly underwritten. Florida has an abundance of distressed-risk properties due to its unique geography. With the majority of the state's borders being coastline, any properties situated on or near the coast are often considered a distressed risk.

The author

Kimberly Mask is public information coordinator for Florida Surplus Lines Service Office. Reach her at KMask@fslso.com. The Florida Surplus Lines Service Office (FSLSO) was created by the Florida legislature in 1997 as an intermediary between the surplus lines industry, the Office of Insurance Regulation, and the Department of Financial Services. Its main purposes are to assist consumers, monitor marketplace compliance and protect state revenues. FSLSO's goal is to facilitate compliance through innovative solutions. For more information contact agent.services@fslso.com or visit www.fslso.com.

PRIMARY FLOOD: THE NEW HOT PRODUCT AMONG INSURERS

Private primary flood insurance is now accepted by lenders and is generating significant market interest

By Guy Waters

Primary flood has been an ever-growing topic among insurers, lenders, and the community as a whole. Superstorms Harvey, Irma and Maria hitting the United States and the Caribbean in 2017 caused a lot of discussion about the Federal Emergency Management Agency's (FEMA) National Flood Insurance Program (NFIP) and private primary flood insurance providers. The NFIP has continued to increase premiums and apply additional surcharges to comply with the Biggert-Waters Flood Insurance Reform Act requirements.

The Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12) reauthorized the NFIP to make the program more sustainable and actuarially sound, including the removal of long-standing subsidies. Roughly 20% of all NFIP policy premiums are calculated using subsidized rates, and most of these policies are Pre-FIRM. Pre-FIRM refers to buildings for which construction or substantial improvement occurred on or before December 31, 1974, or before the effective date of an initial Flood Insurance Rate Map (FIRM). Many policyholders who own homes built before the community adopted its first FIRM will see rate increases for Pre-FIRM as high as 25% *per year* until they reach full-risk rates.

Premium increases effective April 1, 2018, comply with all the requirements of BW-12 and the Homeowner Flood Insurance Affordability Act of 2014 (HFIAA). Increases are in four categories of Pre-FIRM policies: non-primary residential properties; business properties; Severe Repetitive Loss (SRL) properties (which include cumulatively damaged properties); and substantially damaged/substantially improved properties.

The average annual premium increases for all other classes (condominium and multi-family) are limited to 15%, while the premium increases for any individual policy is limited to 18%. The average annual premium increase for primary residence of Pre-FIRM policies will be at least 5%.

The consumer is the unfortunate victim of these unexpectedly large rate increases at renewal. Luckily, private primary flood is now being accepted by lenders and is the new hot product among insurers. The private marketplace

Private market flood insurance makes sense, because insurers like Lloyd's of London already understand the needs of consumers and the market as a whole and can make adjustments in their programs as needed.

is already undercutting NFIP rates for identical coverage.

It was recently reported that the NFIP paid out between $8.5 billion and $9.5 billion dollars in flood insurance claims related to 2017 disasters. For the first time last year, FEMA entered into a reinsurance agreement with 25 companies, transferring more than $1 billion of their risk to the private market. This year, the deal calls for them to transfer up to $1.5 billion. With each big flood catastrophe, short-term reauthorization of the NFIP, and growing NFIP debt, interest grows in using a private market for flood insurance.

Private market flood insurance makes sense because insurers like Lloyd's of London already understand the needs of consumers and the market as a whole and can make adjustments in their programs as needed. Clearwater Underwriters, Inc. (CUI) is a Managing General Agent for Lloyd's of London and is part of this private market solution. With more than 25 years of experience in excess flood, we are now offering a private flood product as an alternative to the NFIP.

CUI is highly competitive on these Pre-FIRM properties and, unlike the NFIP, is offering full replacement cost on building coverage and contents, including secondary and tenant-occupied residences. Another advantage of CUI's flood product is its maximum coverage limits. Where the NFIP will only offer a max of $250,000 per building and $100,000 for contents, CUI can write up to $5 million per risk.

CUI can write a Pre-FIRM, "A" zone, primary or non-primary residence. Example: A dwelling built in 1972, used as a rental property with $175,000 dwelling limits. The NFIP quote is $3,168 for non-primary. Ours is $1,940 for non-primary residence or $1,378 for a primary residence.

Finally, CUI's flood product can combine multi-location, multi-building risks into one policy, unlike the NFIP, which would have to write separate policies. Broader coverages, more competitive premiums, and higher limits, paired with the exceptional service and flood expertise that CUI is already known for, make for a winning combination. It is expected that online rating will be in place by summer. ■

The author

Guy Waters is co-owner of Clearwater Underwriters, Inc. He began his career as a retail agent in 1978. Clearwater Underwriters was established in 1991 and is a coverholder for several Lloyd's programs including Commercial, Residential Property and Liability. Specialties also include Professional Liability. Also contributing to the article are Nate Gorham, senior underwriter of Primary and Excess Flood, and Melissa Waters, Primary and Excess Flood underwriter and coverholder liaison for various Lloyd's flood contracts.

HURRICANE SEASON 101

Address key issues with customers before this year's hurricane season gets underway

By Scott Binns

As we approach the 2018 hurricane season, it's time to reflect on last year's very active storm season. The damage wrought by Hurricanes Harvey and Irma was devastating, and we would be remiss if we did not take an opportunity to learn from those experiences.

In your role as an insurance advisor to the residents of Florida, you may find that customers now have more questions about their coverage as the 2018 hurricane season approaches. With memories of Hurricane Irma still fresh in their minds, clients will want to ensure that they are adequately protected. At Aspera Insurance Services, we specialize in providing coverage for manufactured homes in coastal markets, which can be especially vulnerable to damage in the midst of a major hurricane.

Knowing the market as we do, we can't stress enough the need for all agents and brokers to address several key issues with their customers during a coverage review before this year's hurricane season gets underway.

Deductible review

Manufactured homeowners policies offered in coastal markets include a separate wind/hail deductible, which is established as a percentage of the Coverage A coverage amount. At Aspera, our carrier offers wind/hail deductibles ranging from 2% to 10%. Many customers, in the interest of reducing the cost of the policy, will select a higher deductible without truly considering the out-of-pocket costs they may incur in the event of a major storm.

In order to avoid encounters with frustrated customers, consider doing the following:

- Schedule a time to perform a detailed review of coverages with the customer.
- At the point of sale, provide examples of how the wind/hail deductible will be calculated in the event of a loss.

Homeowners policies typically include an exclusion of coverage for a loss resulting from "wear and tear, marring or deterioration." This exclusion can come into play during the settlement of a windstorm loss…

- Ensure that you have a signed application on file, providing supporting documentation of the customer's selection of their deductible.

Duty to mitigate damages

Manufactured homeowners policies include a condition stating that it is the insured's responsibility to make efforts to protect the property from further damage in the event of a loss. In the Florida market, this can be a significant challenge for some insureds. For many, their Florida home is a secondary home and, for the bulk of hurricane season, the insureds may be residing in their primary home located in another state.

To help prepare your customers for the coming hurricane season, encourage them to do the following:

- Designate a friend or acquaintance to serve as a point of contact when they are residing outside the state. This individual should be one who can keep an eye on the property while the insured is not there and provide updates on any issues with the property.
- Develop a contingency plan in the event of a major storm. Develop a list of contractors or other contacts that can help provide loss mitigation services in the event of a loss.
- Establish contact with these service providers prior to a storm's landfall to ensure early access to their services in the event of a loss.

Wear and tear exclusion

Homeowners policies typically exclude coverage for a loss resulting from "wear and tear, marring or deterioration." This exclusion can come into play during the settlement of a windstorm loss if a claims adjuster concludes that the wear and tear or deterioration of a part of the structure made it more vulnerable to windstorm damage.

This is prevalent within the manufactured housing market in Florida, where many homes are over 25 years old. In order to help ensure that your customers insulate themselves from this exclusion, consider the following:

- Encourage insureds to have their manufactured home inspected every few years to ensure they are aware of any developing concerns. While a 4-point inspection is typically required by most carriers to write a new homeowners policy, a wind mitigation inspection may help the insured qualify for discounts offered by the carrier.
- Maintain a list of certified inspectors that the insured can utilize to schedule an inspection.
- Provide your customers with a copy of the Insurance Institute for Business & Home Safety's Guidance and Inspection Checklist for Manufactured Homes that can be found at bit.ly/IBHScheck.

Carport exposures

Our experience during the storms of 2016 and 2017 pointed to a high frequency of roof damage claims, the severity of which corresponded to the presence of a carport attached to the home. Carports are extremely vulnerable to wind damage and, if they are attached to the home, they can tear the roof off when lifted by the wind.

The State of Florida requires that carport structures have supports on all sides and do not rely on the home for support. Despite this requirement, most carports are attached to the home and rely on that attachment for support.

If an insured has a carport or is considering the installation or replacement of a carport, encourage them to do the following:

- Ensure that the installation is compliant with state requirements.
- If they currently have a carport, encourage them to pursue having the carport retrofitted so that it doesn't rely on the dwelling for support.

This will protect their dwelling and minimize the severity of the damage in the event of a hurricane.

By addressing these issues with your customers, you will be able to distinguish yourself from other agencies in your market by the level of service you provide. ■

The author

Scott Binns is an assistant vice president at Aspera Insurance Services, Inc. Aspera Insurance Services acts as an underwriting manager for personal lines and commercial casualty risks. The firm currently specializes in manufactured housing risks underwritten using a proprietary web portal. All policies are written through a non-admitted carrier which has been assigned a financial strength rating of A- (Excellent) by A.M. Best. To learn more about Aspera Insurance Services, its manufactured home product, or its commercial product offerings, email marketing@asperains.com or call (804) 774-2101.

The right technology can make a difference in your agency's productivity and growth

By Laird Rixford

For any insurance agency, it's tempting to keep costs low by skipping some technology. Sure, not all technology is critical, but some technology definitely is. And not just because it's more efficient (though that's also a big reason).

Why technology is important

According to a Velocify study on insurance agency technology usage, agencies that are heavy users of technology are two times more likely to have better sales processes, and those that rely heavily on sales and marketing technology have greater revenue growth and sell more policies per producer and per household.

Technology has a big impact on your business. It can lead to good first impressions or bad ones. It can help you provide great client service or leave clients thinking you don't care. With short attention spans and patience, a bad impression can cost you a new sale or recurring revenue.

Beyond service, automation improves your agency's efficiency and productivity. It can save you time and money. It can help you better communicate with your prospects and clients as well as with your staff.

Technology also can help secure your agency's data. In our online, connected society, every business, no matter its size, is at risk of a data breach. And it can be difficult to continue operating after a breach. Having the right technology to protect your agency is important.

Must-have tech

In today's technology-laden world, here are 10 must-haves for any new agency that wants to succeed:

1. Agency management system

Most agencies have an agency management system, but there are still some that opt for paper files or spreadsheets to track their client and policy information. This is a mistake. If you don't have a management system, start looking for one now. There are more than 30 management systems on the market, and some of them are quite affordable.

2. Comparative rater

If you're selling personal lines and have more than a handful of carrier appointments, you will need a comparative rater. Look for a rating system that does more than just provide rates. It should at least integrate with your management system. Better yet, make sure you get extensive reporting capabilities that will let you track your producers' and agency's performance.

3. Agency website

A full digital marketing plan may not be at the top of your priority list as a new agency. One thing you must have, though, is a good website. It will be the hub of all your marketing efforts, whether online or offline. Prospects will Google you. Clients will want a place to go for information, such as how to file a claim or make a payment.

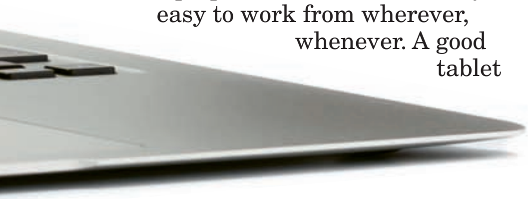
Your website is a great place to put claims information in the aftermath of a hurricane or other disaster. This lets your clients find contact information easily. Even better, make sure your site is mobile friendly; in a power outage, people will be using their phones to search for information.

The sooner you secure your domain name, the sooner your website starts building authority with search engines. This will become important when you are ready to begin implementing that full digital marketing plan.

4. Computers and tablets

In 2018, computers are an obvious necessary technology. But a better option for your new agency might be a good Windows-based tablet rather than a desktop or laptop, especially if you're going to attend events or work remotely.

Tablets are portable and lighter than laptops, which makes it really easy to work from wherever, whenever. A good tablet



is often as powerful as a desktop, and with a docking station, you're able to work in the office as if you had a desktop computer.

Whether you get a tablet or desktop, get multiple monitors for each work station. They help with productivity and make certain processes easier.

5. VoIP

For your agency's phones, don't use a landline. Get a Voice over Internet Protocol (VoIP) phone system. With VoIP, you can make calls using the Internet instead of the old, analog phone lines. There are a several benefits to using VoIP. Long-distance calls are cheaper. You already have Internet. With VoIP you don't have to pay two bills, one for phone and one for Internet.

Plus, you'll get features included in your VoIP system that you would have to pay extra for with a landline—features like call waiting, call forwarding, conference calls, and call recording. And if you want reports on how long your employees spend on the phone or how many calls they make in a time period, a VoIP phone system can give you that information.

6. Internet

Since so much of what we use in business needs the Internet, having a good Internet connection is crucial. You want a connection that is fast and reliable. Making a client wait on the phone while you try to download something does not leave a good impression. Consider download and upload speeds, as well as a provider's uptime.

7. Scanner/printer/copier

While the world goes increasingly digital, sometimes there is still paper. That doesn't mean you need to keep that paper. In fact, it's better if you don't. Scan it into your agency management system, and then shred it and throw it out. Better yet, get a scanner that can also serve as your agency's printer and copier.

8. E-signatures

Your goal as a new agency is to remove as much friction from the insurance buying process as you can. You need to make it easy for a consumer to choose you. Requiring a prospect to print, sign, and fax (or scan and then email) a document creates friction. Using e-signature removes that friction.

9. Firewall

You'll be using the Internet to connect to a lot of services and programs. A strong firewall is critical to securing your agency's data. It keeps unauthorized external users like hackers from accessing your data. A firewall can also block viruses, spam and malicious applications.

Bottom line? The potential exposure and damage to your agency without a firewall is enormous. This technology is essential for your new agency.

10. Cloud storage

Cloud storage allows you to store your agency's data on remote servers that you access using the Internet. There are a few key reasons why your agency should use cloud storage.

First, you save money because you don't need to buy and maintain a local server. Second, if your office gets vandalized or destroyed in a hurricane, you'll still have all your data. Finally, cloud storage gives you greater flexibility with access to data from anywhere.

Technology is critical to your operation from the very beginning of your agency. The right technology can make a difference in your productivity and growth. Don't let your new agency start with bad habits. Use the necessary technology from the beginning. You'll save yourself a lot of headache and extra work. ■

The author

Laird Rixford is the CEO of Insurance Technologies Corporation (ITC). Founded in 1983, ITC provides marketing, rating and management software and services to the insurance industry, including independent agents and insurance carriers. Connect with Laird at linkedin.com/in/lairdrixford

BUILDING FOR THE FUTURE

Proud of its history in Daytona Beach, Brown & Brown has committed to help drive transformation in the city's downtown area

By Vaughn Stoll and Aubrey Harris

Founded in 1939, Brown & Brown has a long history of building for the future—one customer at a time, one insurance acquisition at a time, one teammate at time. With more than 8,700 teammates and 240 locations stretching from coast to coast in the United States and also in the United Kingdom, Canada, Bermuda, and the Cayman Islands, you may expect the country's sixth largest insurance brokerage to be headquartered in a major city. Think again! With its roots right here in Florida, Brown & Brown has maintained corporate and other business operations in the Daytona Beach community for 79 years.

Juan Ponce de León, Henry Flagler, and the U.S. space program are all great examples of Florida's rich history. History does seem to repeat itself, which makes Florida a great place to build for the future. Year after year, Florida has outpaced the United States in job creation. Florida is already the third most populated state and is increasing day after day. With the recently passed federal tax law, even more people will likely move to low-tax states like Florida.

Companies are noticing the Florida economy, which is now approaching $1 trillion—close to half of the economy of all of Mexico. But not all Florida counties are created equal. Volusia County has experienced unique economic development over the past few years, and companies are building for the future.

Commercial expansion

In 2016, for instance, Tanger Factory Outlet Centers, Inc., opened its first Florida location in Volusia County. It is just the beginning of a 235-acre development called Tomoka Town Center. What else? DAYTONA Rising is a $400 million reimagining of an American icon—Daytona International Speedway. The project was completed in 2016.

Shortly thereafter, in 2017, International Speedway Corporation broke ground on ONE DAYTONA, a destination for entertainment, shopping, sports and dining.

Phase One of the project will cost over $100 million, not including potential future hotels and apartments. (We would like to extend a personal thank you from our families for the reclining seats at Cobb Daytona Luxury 12 Theatre and the 26 flavors of tasty treats at Jeremiah's Italian Ice, both of which are located within ONE DAYTONA.)

Volusia County's expansion is not limited to shopping, sports, entertainment and yummy Italian ice. The great insurance industry is right behind. Volusia County could become a key insurance center for Florida. Florida-based insurance company Security First Insurance recently announced its plan to move into a new 100,000-square-foot corporate headquarters located in Volusia County, creating some 258 new jobs.

"If you empower teams in each of your local offices to chart their own path for growth, they will want to try new things, test new programs, and be innovative."

—Powell Brown
President and CEO
Brown & Brown, Inc.

Downtown development

In the fall of 2017, Brown & Brown reaffirmed its commitment to teammates and the Daytona Beach community by initiating a downtown economic development effort that includes construction of a new Brown & Brown campus. As the company continues its aggressive growth strategy, visionary infrastructure investments are required to support further success.

The new campus will expand its presence in the state of Florida by creating up to 600 high-paying jobs in Daytona Beach over the next three to five years. It is all part of Brown & Brown's strategy to increase annual revenue to $2 billion and beyond, up from more than $1.8 billion in 2017.

"You have to change your mindset about your workforce," says Powell Brown, president and CEO of Brown & Brown, Inc. "Think of them as your teammates, not your employees. It is important to make this shift in how you think about your people, because they are your most vital asset for long-term success. It's about having the best teammates on the field at all times."

Preliminary plans for the new Brown & Brown campus include construction of a 10-story building with nearly 200,000 square feet to be located on the former site of the Lloyd Buick/Cadillac and Massey car dealerships on Beach Street. Brown & Brown plans to build a state-of-the-art facility that company leaders say will be a point of pride in the Daytona Beach and Volusia County community. The new campus will be home to Brown & Brown's corporate operations, the Daytona Beach office of Brown & Brown of Florida, Inc., and Public Risk Insurance Agency, a wholly owned subsidiary of Brown & Brown, Inc.

"Brown & Brown is dedicated to our home communities, teammates and customers," Brown says. "We are proud of our history in Daytona Beach and we are committed to help drive the transformation of a downtown area in need of revitalization. Our new teammates will buy homes here, shop here and become vital members of our community."

Team driven

Part of Brown & Brown's quest for long-term success is to nurture an entrepreneurial and ownership culture throughout the organization. "If you empower teams in each of your local offices to chart their own path for growth, they will want to try new things, test new programs, and be innovative," Brown states. "We incentivize our teammates to be entrepreneurial, in part by offering an aggressive stock incentive plan and, as a result, nearly 30% of our company is owned by our teammates."

Brown & Brown has long positioned itself by using what it calls a forever company strategy. With a focus on disciplined business, sticking to its core principles, focusing on its people, and being committed to its community, the company is determined to continue advancing over the long term.

Good things are happening in Volusia County, in Florida and overall in the Florida insurance industry. Thank you to the numerous companies reinvesting in our state and building for the future: 2018 and beyond. ■

The authors

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USE EXIT INTERVIEWS TO BOOST HIRING SUCCESS

Learn why people leave, capitalize on what they valued, and fix what they didn't

By Roger Lear

Insurance agency owners who need to hire a 2-20 or 4-40 account manager know that this usually is not an easy task. It even gets harder to recruit a sales agent or broker. Is it really that difficult to hire good talent in Florida? Getting a root canal may be more comfortable.

When a top employee puts in a two-week notice, most agencies go into panic mode, especially if they didn't see it coming. The typical reaction is to find out why they're leaving and try to figure out if there is anything at all that can be done to keep the individual.

It is tough to reverse this decision and, in most cases, the person leaves your company. While this can be painful and cost a lot of money—recruiting costs, open job slot, lost business, and so on—this is the time to do a detailed exit interview so you can get some real indicators as to why someone would want to leave in the first place.

Yes, the first step in putting together a recruiting strategy is understanding why someone is going. Unless you do "stay" interviews (asking exit interview questions while employees are employed and happy), exit interviews allow top performers to be very honest with you and give you some direct feedback about your agency—whether it is good or bad.

Some excellent exit interview questions are:

1. Did you have the resources and tools to do your job? Technology is changing all the time. Is your agency up to date? What are your competitors offering that you don't have that can make your agency more effective?

2. What caused you to look for a new job in the first place? People don't leave if they are happy. Ask the questions and let them answer you without interrupting. As hard as this is, if they can give you real reasons, this will be very helpful. Whatever you do, don't assume you know what they are thinking. Many unhappy people who leave have more than one reason that caused them to put in a two-week notice.

3. What was the best part of why you worked here in the first place? Find out what they liked about working at your company. Again, let them talk.

4. What would you change about this job or work environment? Love this question. Getting this information from a top performer is priceless.

5. Were you satisfied with your compensation and benefits? Your goal here is to understand and verify if your top performers believe that they were paid justly. If not, ask them to explain and try to find out how they would change it. In many cases, they will tell you what they will be making at their new job.

Yes, these are exit interview questions, but they are also truth questions. You are looking to find out anything that may help you understand what changes your organization could make to help you recruit the best talent in the future.

Complicating this further is that the average age in the insurance industry is 59. Many owners are "set in their ways" and not willing to make changes in the ways "we

You are looking to find out anything that may help you understand what changes your organization could make to help you recruit the best talent in the future.

always have done things." Trust me; if your agency has turnover problems and you don't make changes, it will be tough to hire great people. Besides, the business is getting more tech savvy every day, and that is allowing the more forward-looking agencies to give their employees more flexibility in their work days.

Think about the competitors in your city. When you hear their name, what is the first thing that comes to your mind about their business practices, employees, community involvement, and leadership? What would they say about your agency? Whatever it is, there is a good chance this is your employment brand.

It is so important to understand why people leave your company. Just as important is understanding why they worked there in the first place. Acquiring this information will be a big part of your recruiting strategy. The good news is that you can control the message you want more easily today than ever before. Connecting to today's talent is easy; what is challenging is communicating your employment brand and getting rid of the job description you have been using since 1985.

To recruit an account manager, customer service professional or agent, you have to tell your story and explain why someone would want to work at your agency. Include this in every job posting, on your website, your LinkedIn company page and your company Facebook account. You can use pictures, videos, blog posts, articles and testimonials to help build your employment brand. To spread the word, you can boost your updates on LinkedIn and Facebook, so your message lands directly on targeted, qualified candidates. Make sure that wherever you post your job, the candidate can apply with little effort.

Your top employees will tell you why they work there and why they leave. Capitalize on the good, fix the bad, and use pictures and videos to show your employment story, and you will be surprised how many excellent candidates will apply directly for your job openings. ■

The author

Roger Lear, together with his partner Scott Kotroba, in 2001 created www.GreatInsuranceJobs.com, which today is the #1 insurance employment niche site in the country. He can be reached at roger@orlandojobs.com.

ADDRESSING THE NEEDS OF THE PEST CONTROL INDUSTRY

Complex exposures require access to specialized risk management and coverage solutions

By John Culotta

Pest control is a year-round challenge in Florida, making it a strong market for pest control operators (PCOs). When PCOs are called to a home or business to eliminate termites or control mosquitoes, they can face a variety of challenging issues. For insurance agents and brokers seeking to provide liability coverage for these professionals, it's important to recognize their complex exposures and provide access to specialized risk management and coverage solutions for this $8 billion industry.

Over the past decade, one of the most common claims for PCOs nationwide has involved treatments for bed bugs, which can be difficult to eradicate, often requiring multiple treatments. PCOs that "guarantee" results without a proper service agreement can inspire a customer's wrath.

Real estate inspection for termites and other wood destroying insects, which may be hidden deep inside a house, has always been a common source of claims. In addition, a good number of claims result from PCOs failing to properly complete a treatment, perhaps, for example, not applying chemicals according to a manufacturer's specifications.

Following the broader insurance industry trend, there also has been an increase in commercial auto claims related to distracted driving among PCOs. In fact, auto claims are some of the most frequent of any type for pest management companies. These professionals spend a lot of time on the road, so distracted driving should be a major concern for managers and technicians.

Training

Several risk management solutions can be implemented to reduce a PCO's exposure, and whether you're talking about driver safety or pest treatments, training is at the top of the list.

Driver training is a front-line defense against dangerous behaviors behind the wheel. New drivers should take driver safety courses as well as refresher courses when they spend a lot of time operating a company vehicle.

Employers can support safer driving practices with a distracted driving policy, which should be signed by the employee and employer and should specifically prohibit certain activities and clearly spell out repercussions for distracted driving.

Ongoing training also is crucial for using chemicals for treatments. In fact, in many states, it is mandatory. Training on new products, application procedures and local ordinances related to pollution helps ensure that PCOs are using chemicals correctly, whether it's inside a structure or on lawns. Damage to lawns from to pesticide or herbicide treatment is a frequent claim in Florida and the entire Southeastern United States.

Training also is essential for heat treatments, which have emerged as the treatment of choice for bed bugs. Though considered effective, they carry risk to both a customer's structure and personal property. PCOs should be trained in protocols necessary to carry out treatments safely and effectively.

Managing customer expectations

Many claims in the pest control industry can be avoided simply by managing customer expectations and communicating effectively. This is illustrated by issues surrounding bed bug treatments.

Few consumers understand the lengthy treatment protocols required for bed bugs, but PCOs can equip customers with critical information about why homes or businesses may require multiple chemical and heat treatments, and why heat treatments could damage their belongings.

Service agreements should clearly state that the PCO is there to address an existing, ongoing condition and that multiple treatments may be necessary. They should never guarantee that services will eliminate the problem. Many PCOs also have customers walk along as they conduct a visual inspection, taking photos of infested areas and storing photos for later use.

Managing expectations begins well before the customer picks up the phone. PCOs can establish a realistic attitude toward treatments on their websites and marketing materials. It's important for them to avoid guarantees or promises they cannot keep, such as "our treatments are 100% effective on the first try."

Specialty coverage

Of course, accidents do happen, and that is why it's important for PCOs to be protected by specialty insurance coverage. A commercial general liability (CGL) policy is key, but agents and brokers writing business in this industry need to be aware that many policies lack or have sub-par versions of the most crucial policy endorsements, most notably pollution and care, custody and control.

While typical CGL policies cover damage to a PCO's customer's real and personal property, they usually do not cover damage if that property is in the PCO's "care, custody and control." In fact, most policies specifically exclude

Managing expectations begins well before the customer picks up the phone. … It's important for (PCOs) to avoid guarantees or promises they cannot keep, such as "our treatments are 100% effective on the first try."

this coverage. When adding this endorsement, make sure it covers a building ("real property"), not just personal property. The endorsement should also cover work done by subcontractors hired by the PCO, and damage caused during spot treatments.

Similarly, relying only on a pesticide and herbicide endorsement in the event of a chemical spill or leak at the job site can be a big mistake and leave a PCO liable for some of the most damaging claims. A pollution endorsement, on the other hand, can cover environmental damage and clean up, including spills or leaks at the PCO's office or facility. The agent should also include a pollution auto transit endorsement to cover spills in a vehicle, whether it is involved in an accident or parked at a job site.

Two additional coverages should be considered. First, PCOs often need an excess liability and umbrella policy that truly provides broad protection, extending over all coverages, including care, custody and control and pollution endorsements. Second, the emergence of bed bugs has led to an increase in customers seeking monetary damages to compensate them for loss of income and other expenses. Since policies with this coverage are not widely available, it's important to confirm whether or not a policy would cover such a claim.

The pest control industry has unique and often complex risks. But agents and brokers can serve the industry by sharing important risk management solutions and making sure specialty coverage is available when standard CGL forms fall short. ■

The author

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