

***Independent Insurance
Agents and Brokers of Arizona, Inc.***



***Seventy-Four Years of Service to Arizona
Independent Insurance Agents and Brokers***

***Historical
Accomplishments
Over the past 20 years***

We are honored to serve the Arizona Agent/Broker community for over seven decades and proud of our many activities and accomplishments. The attached document is a listing of a few of those recent accomplishments. We strive daily to protect the interests of our membership, and pledge that your investment of time and money in the IIAB of Arizona is a worthy investment in your future.



IIAB of Arizona Wall of Fame - 2010

Recorded Mini Webinars, or “Coffee Break Seminars”

The Independent Insurance Agents and Brokers of Arizona, Inc. in partnership with The Surplus Line Association of Arizona have created a quick and easy way to refresh your knowledge on some of the more complicated technical aspects of the insurance industry in just 15 minutes or less.

Are you preparing to take the Surplus Lines Licensing Exam? Just need a quick refresher course on a specific section? By going to the Education tab on our website www.iiabaz.com you will find a drop down menu with the topic “Recorded Seminars” listed. In that section is an informational webinar that has been broken into four bite sized pieces to better fit your schedule. To help you prepare for the Arizona Surplus Brokers License Exam we have also included a study guide and the list of applicable Arizona statutes.

In the Surplus Lines webinar you will learn more about:

- The Insurance Marketplace and Excess and Surplus Lines
- Licensing, Regulation, Authority, and General Requirements
- Insurance Markets.
- Records
- Taxes
- Fees
- The Surplus Line Association of Arizona
- Surplus Line Examination
- Continuing Education

Soon we will be adding even more “mini-webinars” or “coffee breaks”, so in the time it takes to have a coffee break you can learn more about new and changing property and casualty insurance topics, errors and omissions, agency management, and much more.

We would like to thank The Surplus Line Association of Arizona for their gracious support and contributions in helping us set up this amazing online educational opportunity!



IIAB of Arizona Wall of Fame - 2010

Luis Ballesteros et al versus American Standard Insurance Company of Wisconsin, et al

The Independent Insurance Agents and Brokers of Arizona retained legal counsel and became involved as a “Friend of the Court” in an Appeals Brief(s) for the "Ballesteros versus American Standard Insurance Company of Wisconsin" case. This case addresses the UM/UIM "Acceptance/Rejection Form". We have in the past made sure our members voices were heard on vital issues that went before the courts, and recognized that it was called for in this instance.

This is an investment which will have an impact on the errors and omissions premiums and liability of insurance agents for decades to come. Below we have included a short summary of the issue.

On December 23, 2009, the Division II of the Arizona Court of Appeals published a decision (case 2 CA-CV 2009-0123) “Luis Ballesteros et al versus American Standard Insurance Company of Wisconsin, et al” in which the court ruled the Uninsured and Underinsured Motorist Acceptance and Rejection Form filed and approved by the Arizona Department of Insurance may not necessarily suffice in an insurance company’s (or their producer’s) requirement to offer these coverages.

In this case the court ruled that the insurer’s usage of a form mandated by statute and approved by the Department of Insurance was insufficient in bringing the offer of the coverages to the attention of the insured because of the insured’s inability to read English. The insured stated that he did not understand the “offer” being made and that the signed acceptance/rejection form should not suffice as an offer. Whether a Spanish explanation actually was provided is a disputed issue of fact, however due to various technicalities it was assumed that no Spanish explanation was provided.

This leaves unanswered the question of “WHAT IS SUFFICIENT IN BRINGING THE OFFER OF COVERAGE TO THE ATTENTION OF AN INSURED WHO DOES NOT READ ENGLISH?” That is the crux of the issue.



IIAB of Arizona Wall of Fame - 2010

Legislative Victory on Rolling a Book of Business

Your association passed legislation that corrected a critical error, and in doing so, protected one of the vital tools independent insurance agencies use to maintain a successful business. The ability to transfer a book of business, or “book rolls”, was put in jeopardy when a Department of Insurance Bulletin was discovered which put the legality of this common business practice into question.

In 2008, the Arizona Department of Insurance (ADOI) was extremely supportive in helping us resolve an issue in response to a consumer complaint. The complaint was made when an agent “shopped” coverages at renewal for one of their homeowner policyholders in an attempt to obtain lower premiums and better coverages. When the policyholder discovered an inquiry from an insurance company on their credit report they became upset and filed a complaint with the ADOI. The ADOI was required to open an investigation to determine if the agent had violated any laws.

During the process of the investigation it was discovered that ADOI Regulatory Bulletin 2001-11, page 9 (second to last paragraph) described the consumer privacy statute as prohibiting a common industry practice referred to as “book rolls”. The Department’s bulletin stated that: “Producers have also inquired about the need for authorization when the producer is doing a ‘book roll’ of business to another insurer. The producer should look at whatever authorization the insured has previously signed to determine if it permits such information-sharing with a different insurer, and if it is still current. Without current authorization, such transaction will generally require the producer to obtain a new authorization from the insured because they do not occur at the request of the insured.”

The paragraph above from the ADOI “Regulatory Bulletin 2001-11” was the result of the ADOI’s review of legislation passed in the 2001 legislature. As you can see the ADOI concluded that a “book roll” is prohibited.

After closer inspection it was determined that a Statute passed in 2001 had been incorrectly drafted and no longer conformed to the National Association of Insurance Commissioners (NAIC) model legislation. Once this error was discovered the Department of Insurance suggested that our Association seek a legislative remedy to affirmatively state that a “book roll” or “transfer of business” is allowed.

These practices have been commonplace for over 200 years in the American Agency System and occur on a daily basis in every state in the nation. The value of your agency would be much less if the agency was prohibited from rolling a book of business or shopping for your customers. The largest advantage that an Independent agent has is the ability to shop the marketplace for our consumers, and without this legislation we would be handcuffed like a direct writer.

To remedy this problem we requested the legislature for legislation. House Bill 2308: “INSURANCE INFORMATION; TRANSFER OF BUSINESS” was introduced in the 2010 legislature. We received unanimous votes in both the House and the Senate on this legislation and it was signed by the Governor and passed into law.



IIAB of Arizona Wall of Fame - 2009

Privacy Notices & Security Plans

In the fall of 2007 the IIAB of Arizona achieved one of our largest advocacy victories in our history. Under Federal and State laws, a “Privacy Notice” must be sent out by all insurance agencies that informs the customer (among other things) about the kind of information collected and its sources, as well as the type of information disclosed. The privacy notices sent by insurance companies will not eliminate the requirement for insurance agencies.

In 2009 our association, working with legal counsel and the Arizona Department of Insurance, helped create a written “Privacy Policy” that our members needed so they could provide a copy of the “Privacy Policy” to new policyholders at the inception of coverage, as well as a copy to all policyholders at least once a year.

When the Arizona and Federal laws were enacted the IIAB of Arizona held free seminars to distribute compliance information, and to inform the membership about the importance of complying with the new requirements.

In Arizona, it is especially important to inform your policyholders that you may provide their personal information to other insurance companies or brokerages to market (shop and compare) their coverages in an effort to provide them with a competitive price and policy comparisons. Policyholders must also be informed of their right to “opt out” of the transmission of their information to third parties (such as an alternative insurance company for comparison purposes at renewal).

Due to the enormous problem with identity theft in Arizona, the Arizona Legislature has also imposed security requirements on businesses (including insurance services) that maintain confidential personal information. Our organization created a sample security plan detailing efforts taken to ensure that customers’ non-public information remains secure, as well as a plan to mitigate the impact on customers if there is a security breach.

The Arizona Department of Insurance has taken disciplinary action in the past against agencies who have not complied with the Arizona “Insurance Information and Privacy Act” (ARS Title 20, Chapter 11) and/or the Federal laws regarding the notification requirements and usage of consumers’ personal information. This demonstrates that compliance is a must for all agencies. In addition to disciplinary action, agencies who fail to meet the regulatory requirements could possibly face a civil claim for damages.



IIAB of Arizona Wall of Fame - 2008

Webb adv. Gittlen (Damron agreements)

The outcome of this case could cause the liability of agents to be extended to not only their policy holders but to people who are injured by the policy holder. In early 2008 the Big "I" became involved as a "friend of the court" in an insurance agent's errors and omissions lawsuit being heard by the Arizona Supreme Court. This case would without doubt forever change the landscape of insurance agents errors and omissions exposures in Arizona.

Your Association applied for and was recognized by the Arizona Supreme Court as a "Friend of the Court" which enabled us to present both written and oral arguments regarding the case.

Although the agency involved in this case was not a member of the Big "I", we recognized the outcome of the decision would have a huge impact on ALL independent insurance agents with regard to their liability to others, as well as the cost of errors and omissions coverages for ALL agencies. The cost of errors and omissions premiums is directly related to the number and size of claims within the state of Arizona.

This case (Webb adv. Gittlen) raised the issue of whether it was permissible for policyholders with a liability policy who do not have necessary or adequate coverages to enter into an agreement (sweetheart deal) with the person they injured, wherein the agency's policyholder would be excused from liability if they assigned their rights against the insurance agent for improperly insuring them. In this case it was alleged that the agent did not offer liquor liability coverages to a liquor store. When a minor consumed alcohol from the store and subsequently was involved in a fatal auto accident, there was no liability coverage in place to either defend or indemnify the liquor store for their negligence.

The family of the deceased minor incurred damages that exceeded the assets of the liquor store, so they entered into an agreement (called a Damron Agreement) with the liquor store that did five things.

- First, the agreement established that the liquor store was legally responsible without a case being proven by trial.
- Second, the agreement allowed for a judgment to be entered against the liquor store without any challenges from the liquor store.
- Third, it established the monetary amount of damages to be awarded without contest from the liquor store.
- Fourth, the agreement stated that the family of the deceased would NOT enforce the judgment against the liquor store.
- **And finally, the agreement specified that in exchange for this agreement that the liquor store (policyholder of agent) would assign their rights against the agent (for allegedly not providing liquor liability) to the deceased's family.**

Prior case law in Arizona found that such agreements (Damron agreements) were not valid against insurance agents and that the insurance agent was responsible ONLY to their policyholder, not to someone who their policyholder injures.

Upon learning of this case, your association immediately retained legal counsel and petitioned the Court for status as a friend of the court. Your counsel (the attorney representing the association) retained experts who specialize in Supreme Court appeals cases, and together developed arguments in the favor of insurance agents. The cost of our participating in the litigation as an Amicus was large, however, when compared to the future impact on our membership we had no choice but to rearrange our limited budget to find the funds.

Although the Supreme Court's decision was not a total victory, we were able to demonstrate to the court that it was inequitable that the insurance agent be obligated without the injured party first proving negligence against the liquor store. We also argued that the "amount" of the judgment should not be binding until a trial and that the injured party should be required to PROVE the amount of the judgment was reasonable.

Although the Supreme Court found that third party liability claims can be assigned and action taken against the agent by the injured party, we were extremely pleased to see that they also stated that a "sweetheart deal" between the policyholder and injured party was not binding without giving the insurance agent the ability to present the case to a jury.



IIAB of Arizona Wall of Fame - 2007

IIABAZ enables the membership to comply with new Federal Flood Continuing Education Requirements at NO charge!

In 2007 a new Federal requirement was handed down requiring ALL insurance producers who sell flood insurance to undergo 3 hours of specified CE training to remain eligible to sell flood insurance through the NFIP. The Arizona Big I responded to the call for the required training. Those firms that had even ONE flood policy written through their agency were required to complete the training.

The National Flood Insurance Program (NFIP), established the MANDATORY education requirements but delegated the approval of courses to the State of Arizona. The IIAB of Arizona immediately worked with the Arizona Department of Insurance for approval of a course to meet the Federal requirements.

Your association developed an outline program which met the compliance requirements and presented 14 seminars at seven locations. The courses were provided to members at NO charge. **Within a month 551 individuals qualified.** This enabled our member agents to continue providing this valuable coverage to their clients, and complied with the Federal CE mandate without any expense to our members.

This 3 hour seminar discussed the National Flood Insurance Program (NFIP), dispelled myths about the NFIP, as well as explored the Community Rating System. The flood policy and reviewed coverages provided by the NFIP policy.

Without the quick response hundreds of our members would have found themselves unable to continue to provide this valuable coverage to their clients.



IIAB of Arizona Wall of Fame - 2006

IIABAZ Moves to a New Facility

In 2006 the Independent Insurance Agents and Brokers of Arizona (IIABAZ), Insurance Agents Services (IAS), and Insurance Training and Education Center (ITEC), relocated their offices and classroom facilities to a new expanded campus that will meet the growing educational needs of our membership for decades to come. Expanding educational programs, growth in membership programs, and increased staff necessitated additional office space.

The facility is state of the art and an extremely comfortable learning environment for students.

Effective March 27, 2006 our new address became:

**333 East Flower Street
Phoenix, Arizona 85012**

Phone numbers, fax numbers, and email addresses remained the same.

Phone: (602) 956-1851

Toll Free: (800) 627-3356

Fax: (602) 468-1392





IIAB of Arizona Wall of Fame - 2005

Big "I" Markets YOUR Agency

Big "I" membership delivers many benefits ranging from E&O loss control to regulatory and legislative advisory bulletins. These benefits assist members with the inner workings of their agency, but what about the **promotion of your independent agency**? Well, the Big "I" has an answer to that - we **promote the Independent Agent and Trusted Choice brand** in the most influential ways of all!

As of September 2011 ALL Arizona members can become a Trusted Choice Agency simply by signing the Trusted Choice "pledge". Agents in Arizona will be eligible at no additional cost.

During our 2005 National Legislative Conference, President George Bush addressed a group of over 1,000 independent agents in Washington, D.C. He chose this venue to speak on Social Security reform and the United Nations appointment of John R. Bolton; two news worthy issues. Press coverage of this event produced immeasurable benefits for Big "I" members. Articles referring to the Independent Insurance Agents and Brokers of America appeared in The New York Times, The Los Angeles Times, and the Associated Press (AP) wrote two articles, which of course is carried in thousands of newspapers across the nation and world. In addition to these newspapers, articles also appeared in Houston, Chicago, Dallas and many other major cities' newspapers.

Since the inception of the Trusted Choice brand, IIAB of America has been actively promoting the value of independent agents through various add campaigns. During 2005, four campaigns were slated; three cable television campaigns plus the first-ever online campaign. Between March 14th through the 27th Trusted Choice adds appeared 53 times nationwide on programs such as PGA Golf and SportsCenter on ESPN; the O'Reilly Factor on Fox News; Modern Marvels on The History Channel; and movie programming on TNT. The online campaign featured banner ads between June 13 and August 21st. These ads appeared on insurance related Web sites such as mortgage and car loan sites.

Big "I" membership entitles agencies to the use of the Big "I" logo on business cards, stationary and agency signs. A Trusted Choice agency has access to the Trusted Choice logo in addition to the Big "I" logo. This allows insurance consumers to identify the value from the national ad campaigns with local agencies within their communities.

The Trusted Choice brand benefited from immense unintended air time after our 2005 National Legislative Conference. Media sound bytes of the President's speech aired on headline news shows with our Trusted Choice logo in the background. Through key contacts and a well funded strategically placed branding program, the Big "I" continues to **promote the value of our member's independent agencies**.





IIAB of Arizona Wall of Fame - 2005

2005 Big "I" Day at the Capitol

Every year our State Legislature considers bills that have the potential to significantly impact our members' business practices. A few jewels from the past include the attempted repeal of mandatory auto insurance requirements, and reinstatement of agency commissions on personal auto policies subsequent to an insurance companies termination of an agency. **The Arizona Big "I" is invaluable to our members as we monitor every issue that arises at our State Legislature, advocating for our members' best interests. Our strongest resource to accomplish this is you, our 3,000 plus members.**

The IIAB of Arizona frequently hosts our Big "I" Day at the Capitol, where we showcase the strength of our membership to new and returning legislators. This forum is a unique way for our membership to meet with their legislators, one on one and discuss how upcoming legislative proposals will impact Arizona agents and consumers. This gives lawmakers the valued opportunity to meet their constituents and provides IIAB of Arizona additional lobbying strength. At this event lawmakers witness how many of their constituents IIAB of Arizona lobbyists represent when we are working to protect agents' interests at the Capitol. In 2005 Big "I" Day at the Capitol was attended by over 175 agents as well as legislators from every Arizona Legislative District.

IIAB of Arizona holds Big "I" Day at the Capitol to promote the Independent Agent logo for all to remember. In addition, IIAB of Arizona government affairs staff conducts thorough presentations on legislative topics as well as provides literature to all legislators and Big "I" members. Big "I" Day at the Capitol has proved to be one of the most effective methods the Big "I" can show the solidarity and enormity of our membership to the Arizona Legislature, while still bringing our most important issues to their attention.

Over the years, the Big "I" staff has been able to lure some of the most influential people in Arizona to the Big "I" Day at the Capitol. In 2005, the Director of Insurance Christina Urias, Speaker of the House James Weiers, and Senate President Ken Bennett all attended and spoke to the Big "I" membership. Each of them praised the hard work of our membership and also spoke to the importance of small business owners in Arizona. Director Urias addressed the then current discussions of NAIC producer compensation regulatory model and how it might impact everyone in the industry.

Big "I" Day at the Capitol is a unique opportunity for IIAB of Arizona members, bringing them directly to the politicians making decisions that impact their future. This allows legislators to see the interest and desire of our membership in the legislative process. Big "I" Day at the Capitol is one of our most effective lobbying tools, demonstrating to our elected officials the direct involvement of our membership – their constituency.



IIAB of Arizona Wall of Fame - 2004

Big "I" Protects Agencies During Agent Compensation Investigations

Since the 2004 high-profile investigations conducted by NY Attorney General Elliot Spitzer, prompted by the illegal producer practices of a few bad actors in the industry, Producer Compensation had increasingly come under fire on both state and federal levels. The National Association of Insurance Commissioners (NAIC) responded by drafting model producer compensation disclosure legislation as well as encouraging individual state insurance department investigations into the business practices of the mega brokerage houses ranging to the small mom and pop agencies. The Big "I" does not condone the illegal actions of a few unethical actors within the industry; however, we realized that it is vitally important for our members that the entire industry not be painted with the same brush. The Big "I", on both the federal and state level, immediately became actively engaged in this issue to defend our members' legal business practices.

On the federal level, the Big "I" was there since beginning of the Marsh investigation and was extremely involved in providing testimony to Congress, information to the media, as well as working directly with the National Conference of Insurance Legislators (NCOIL), NAIC and others in drafting the model legislation. The Big "I" has continued to fight to show that these few bad actors distort what is typically a highly competitive marketplace.

In December 2004, the Arizona Department of Insurance began its own investigation of Producer Compensation, issuing request for document letters to 13 independent agencies. The initial letters asked for such a volume of documents that some agencies estimated 2.5 moving trucks in addition to untold man hours to produce such things as all agency/MGA/company compensation documents since 1998. This was only 1 out of 25 different document requests.

The Big "I" immediately realized responding to this request individually would be inefficient and costly for our membership. The Big "I" retained a highly recognized legal team with funds from the Association's Legal & Advocacy Fund. The legal team was comprised of Arizona's most recognized E&O attorney and a former Director of Insurance. The objective of the Big "I" legal team was to coordinate efforts in responding to the Department's investigatory letters, while at the same time assuring full cooperation with the investigation. This included focusing the investigation through a single point rather than 13 individual agencies and reducing the burden of the request on our members, with the understanding that additional requests would be made if the initial documents produced suspicion of illegal activity in Arizona. In addition, the Big "I" was able to negotiate a method to provide the Department with access to this information while preventing client lists from becoming public record, after the investigations closed. Under Arizona law, any document in possession of a state agency is public record. Requesting sensitive information was required to complete the investigation; however the unintended consequence overlooked until the Big "I" stepped in was that client lists would then become public record, and that is unacceptable!

The Arizona Big "I" worked to coordinate investigatory efforts and keep our membership informed through bulletins and one on one meetings about the severity and delicate nature of the Department's probe. The Arizona Big "I" believes it is critical for our members' credibility as well as the protection of Arizona's insurance consumers to work in good faith with the Department. Our role, on behalf of our members, was to focus on coordinating efforts through expert legal representation and monitoring requirements in order to ensure the protection of our members businesses. We are the ONLY agent association that represents our members with this level of involvement on these critical industry issues.



IIAB of Arizona Wall of Fame - 2004

Big "T" Federal PAC Surpasses \$1 Million

In the 2004 election cycle, IIAB of America raised close to \$1.5 million for InsurPac, our Association's Federal Political Action Committee (PAC). This was a 63 percent increase over the previous year's contributions. In Washington, PACs surpassing \$1 million are widely known as Super PACs.

InsurPac was established in 1975 to complement IIABA's legislative program. It is the largest property-casualty insurance industry PAC in the country. Other company PACs only obtain about 50 percent of the funds InsurPac raises through member contributions.

The strength of InsurPac is one of the most important, yet unnoticed benefits IIAB of Arizona membership offers. Although InsurPac contributions are an integral part of agent advocacy, it is important to realize they do not buy solutions to legislative debates. These contributions allow our member agents and agent representatives to attend fundraisers, buying face time with lawmakers. The Association takes this opportunity to educate members of Congress on agent issues and develop working relationships with them. These relationships make it much easier to get a foot in the door when critical legislation is being decided.

By pooling the voluntary individual financial contributions of thousands of independent insurance agents and brokers, InsurPac helps elect candidates and re-elect members of the U.S. House of Representatives and U.S. Senate who share IIABA's business philosophy. Some PACs write checks in response to any request for contributions, but not InsurPac! Prior to contributing, the governing board of trustees reviews each candidate's voting record and running platform in order to determine if they support IIABA's legislative interests. After this comprehensive process, the board determines which candidates InsurPac will support. During the 2004 election cycle, 96 percent of the federal candidates supported by InsurPac were victorious!

Surpassing the million dollar mark in 2004 not only gained InsurPac recognition in Washington as a Super PAC, it also increased our Association's ability advocate on behalf of our members. InsurPac now has increased resources to strategically direct toward those lawmakers who we are sure will support the interests of our member agents!



IIAB of Arizona Wall of Fame - 2004

Big “I” Saves Arizona Agents \$14.5 Million ...

... in only three months. That’s right, because of our Legal Defense and Advocacy Fund IIAB of Arizona was able to save our members over \$14,500,000.00 in Errors and Omissions lawsuits within three months after Premium Cigar International was settled.

The Premium Cigar International case was an attempt to reverse a prior decision known as “the Napier decision”. The Napier Decision is also an IIAB of Arizona Legal Defense and Advocacy Fund success story. That decision ruled that a person injured by an agent’s insured could not sue the agent directly. Without this ruling agents would have become subject to tort action from not only their policyholders but from the third parties the policy holders injure. If the insured has inadequate limits for a liability claim, the injured party could sue the agent for improperly insuring the client.

Premium Cigar International was a lawsuit against an IIAB of Arizona member. The third party, injured by the agent’s client in an auto accident, was suing the agent for negligence and breach of contract while insuring their client. IIAB of Arizona’s Legal Defense and Advocacy Fund filed an amicus brief, or “friend of the court,” on behalf of the Association. Creating a united front, our legal council joined with our member agency’s legal defense to defeat what would have been a costly precedent for all Arizona agents. We had a huge victory! The court upheld that a third party could not sue an agent for a tort action or negligence.

Within the first three months of this decision multiple lawsuits, basing their case on the ability of a third party to sue an insured’s insurance agent for negligence, were dismissed. Although these lawsuits totaled a 14.5 million dollar savings, that number does not represent the cost of countless suits which were not filed and would have been in the future had IIAB of Arizona and our member agencies not prevailed.

IIAB of Arizona’s Legal Defense and Advocacy Fund is maintained solely through member contributions. It is used at the discretion of the Executive Committee and IIAB of Arizona Board of Directors. It differs from a Political Action Committee (PAC) in that the member contributions do not go to politicians. They are used to defend agents against decisions made by politicians, judges and regulators that negatively impact your business.

Legal defense cost skyrocket whenever the rights of insurance agents and brokers are jeopardized by regulatory or judicial decisions. Legal representation requires a reserve of funds. IIAB of Arizona provides our member agencies a unique resource, the Legal Defense and Advocacy Fund, used to fight legal battles which would set a precedent detrimental to their livelihoods.



IIAB of Arizona Wall of Fame - 2003

Preserving Arizona's Status-Quo C.E. Requirements

The Arizona Big "I" understands the importance of our agents' ability to maintain a current insurance producer's license at a minimal impact to your daily operations. As agents we know your number one concern is your clients and their coverages. In 2003, **IIAB of Arizona's Government Affairs** team and **BigIgrassroots** system acted to preserve your ability to focus your time and resources on the most important aspect of your business: your clients.

During 2003, the Arizona State Legislature considered a bill to extend Arizona's current continuing education (CE) laws, as they were set to expire in the coming year. The law requires only those insurance producers who hold a non-resident license in another state to complete Arizona required CE. Although CE is important in order to maintain professionalism, this law maintains reciprocity with other states, while allowing agency principals the freedom to determine which type of CE they want their employees to pursue.

Without this law Arizona would be in violation of the federal uniformity requirements set forth under Gram-Leach-Bliley. The resulting impact to agents would have been to lose the recognized reciprocity Arizona shares with other states regarding CE requirements. This allows agents to complete Arizona required CE and apply it to every non-resident license they hold in another state. Without it, agents would have had to physically travel to each state in which they held a non-resident license in order to comply with that state's individual CE laws.

When the legislation to extend the CE laws was in jeopardy of failing the IIAB of Arizona's Government Affairs team activated our **BigIgrassroots** action alert system. Your association used this very efficient and effective lobbying technique to alert constituents to issues their legislators are voting on. IIAB of Arizona members sent over 300 e-mails within a period of 24 hours explaining to their legislators how their business would be impacted without the extension of Arizona's status-quo CE laws. These e-mails convinced every single committee member to keep Arizona's CE reciprocity with other states.



IIAB of Arizona Wall of Fame - 2001

Big “I” Hosts Free Seminars on Federal Privacy Compliance Laws

IIAB of Arizona knows that in today’s society, consumer privacy laws are some of the most important regulations, but also some of the most confusing laws our member agents must know and follow. Often these laws are developed at a Federal level, making them all the more difficult to understand when implemented at a state level. **IIAB of Arizona facilitated our memberships' compliance with Federal laws** by providing free mini seminars to our membership for each new law.

Prior to 1999, federal and state consumer privacy regulations were not consistent and left many consumers exposed to possible unsafe business practices and agents with no clear direction as to the required consumer privacy standard of care. The 106th Congress addressed this dilemma by passing the Gramm-Leach-Bliley Act (GLBA). The Gramm-Leach-Bliley Act gave authority to various federal agencies and the states to administer and enforce the “Financial Privacy Rule” and the “Safeguards Rule”. The Arizona Legislature, with input from the Arizona Department of Insurance, met these requirements in 2001 by establishing the “Arizona Insurance Information and Privacy Protection Act” (A.R.S. §§ 20-2101 et seq.) with Senate Bill 1288 (Laws 2001, Chap. 220).

Once SB 1288 was signed into law, the Big “I” immediately recognized the importance of this law for our members. **The Big “I” recruited a variety of high profile industry law firms, familiar with agents' responsibilities under Federal law to present a free educational mini seminars.** The seminars were taught by legal experts, from across the nation, in the field of insurance consumer privacy. In addition to sponsoring the seminars, the Big “I” also produced an interactive CD-ROM and booklet that better assisted members to formulate their own privacy policies.

Not only did the Big “I” provide this member benefit in 2001, but again in 2003 in response to many member inquiries into the new Federal Health Insurance Portability and Accountability Act (HIPAA). Although HIPAA predominantly impacted Health agents there were vital provisions Property/Casualty agents were required to comply with. The Big “I” partnered with attorneys from Lewis and Roca to educate our membership in a free mini-seminar on the critical need for compliance with the Federal requirements of HIPAA.

Lewis and Roca attorneys detailed provisions of HIPAA impacting how a P&C agent handles an auto medical payment with respect to the claim. In addition, they alerted agents to fraudulent scams such as software companies selling software which they were purporting to be required by HIPAA in order to be compliant.

As a result of the Big “I”’s free mini seminars on Federal laws, our membership has the necessary tools to protect their livelihoods and to help make their futures successful.



IIAB of Arizona Wall of Fame - 1997

Agent E&O UM/UIM Claims Protection

An advantage to IIAB of Arizona members is that our Errors and Omissions (E&O) department is in house. This allows your E&O agent to personally review all claims before they are transmitted to the company; a benefit many other agent associations do not offer. It is extremely valuable as it allows communication within the Association between the E&O administrator and the Government and Regulatory Affairs Department. The E&O administrator can determine if there is a certain area where there is a higher agent claims frequency and the Government and Regulatory Affairs Department can examine potential causes and solutions within state statute or Insurance Departmental Procedures.

In 1997 an example of this benefit occurred. IIAB of Arizona's E&O administrator noticed that about **20% of our agent members' E&O claims were a result of UM/UIM related claims**. This percentage had been on a steady increase for the past few years, and without action from IIAB of Arizona it would likely continue.

Most of these cases revolved around a standard of care argument, alleging that at some point in the process **the agent failed to meet the standard of care with respect to offering UM/UIM coverage to their policyholder**. IIAB of Arizona Government Affairs staff examined Arizona statute and the history of previous lawsuits. Ultimately, it was decided that protective language was needed in statute, establishing guidelines for the process in which UM/UIM coverages were offered, which if followed by the agent, would help prove the standard of care had been followed.

IIAB of Arizona Government Affairs staff requested legislation at the state legislature that included clear language to assist in documentation of their offer of UM/UIM coverage:

IIAB of Arizona was able to accomplish this victory for our membership as a result of our comprehensive involvement in issues impacting the agent community. Our E&O Department identified a problem and Government and Regulatory Affairs staff communicated with lawmakers in order to change statute insuring consumer and agent protections through defining the expected level of standard of care. This legislation resulted in an almost immediate **reduction in agent E&O claims of 18%**.



IIAB of Arizona Wall of Fame - 1997

Small and Rural Agencies Receive Big “T” Support

IIAB of Arizona membership is very diverse. The Association represents and provides member benefit services for small, medium and large size agencies. Each different agency has differing needs ranging from regulatory compliance guidance to locating and obtaining access to markets. IIAB of Arizona is part of an intricate network of industry actors, which allows us to effectively address each different agency group’s needs.

In the mid 90’s IIAB of Arizona began receiving requests for assistance from our small and rural agency members. In response to this, IIAB of Arizona established a **Small and Rural Agents Committee** and created a position for the chair of this committee on our Board of Directors.

IIAB of Arizona discovered many of our small and rural agencies were having difficulty obtaining access to diverse markets and products for their clients. Committee members traveled the state meeting with our agents and determining their specific needs. The committee conducted a historical loss ratio survey to demonstrate that both personal lines and commercial lines were more profitable in rural areas than in metro areas. This information was then presented to company representatives and in conjunction with Big “T” staff connections was successful in stimulating company interest in implementing pilot programs for small and rural agencies. Additionally, large agency IIAB of Arizona representatives consulted with some of our smaller members advising on how to best represent an agency in order to get a contract as well as developing business and marketing plans.

In 1997 the results of these efforts were clear. IIAB of Arizona **small and rural agency members** gained access to a variety of different markets and companies. First National Insurance Services of the West opened an office in Prescott. In addition to Commercial Markets with TIG and the New Hampshire Group, they became the Arizona market place for Metropolitan in rural areas.

Additionally, IIAB of Arizona worked with Unigard Insurance Company, and acting as the General Agency IIAB of Arizona succeeded in opening up contracts for four rural agency members. Statewide General Agency brought additional personal and commercial lines products to Arizona for our small and rural agents during this time as well.

IIAB of Arizona was able to accomplish this through reacting to the needs of our members as they communicated them. Establishing a **Small and Rural Agents Committee** provided strength and organization with which to proceed in coordinating beneficial solutions with our company contacts. **Through open lines of communication and active involvement on behalf of the needs of ALL of our members, large and small, IIAB of Arizona insures the success of our members.**



IIAB of Arizona Wall of Fame - 1995

The Big “I” Keeps the Sun from Going Down on Mandatory Auto Insurance

One of the biggest victories the Big “I” has achieved for its membership happened in the Spring of 1995. The 42nd Legislature, during a Special Session, threatened to eliminate the **Mandatory Auto Insurance Laws**. However, IIAB of Arizona stood firmly in opposition to the elimination and, with the tremendous support of its **grassroots network**, convinced the legislature to extend Mandatory Auto Insurance permanently.

Prior to the Special Session, there had been rumblings throughout both chambers of the legislature to eliminate mandatory auto insurance. These rumblings were due to the upcoming “sunset” date of June 30, 1995, for the mandatory insurance laws. Some legislators felt that requiring drivers to carry certain limits of insurance was just another form of government control and an infringement on a individual’s rights. While other legislators (who typically represented lower economic communities in the state) felt that requiring a minimum amount of insurance was placing an undue burden on these financially strapped individuals.

IIAB of Arizona argued to the legislative body that **driving is not a right, but a privilege**.

During testimony and meetings with legislators, many false proofs were offered to argue for the elimination of mandatory auto insurance. These false proofs ranged from media reports that 80% of drivers do not want mandatory insurance to legislators reporting that their constituencies are not in favor of mandatory insurance. Fortunately in 1993, the Big “I” addressed these false proofs by hiring the Arizona Behavioral Research Center to conduct a district by district survey to determine the desirability of mandatory auto insurance. In each and every legislative district, the survey revealed that the vast majority of drivers do favor mandatory auto insurance laws. In conjunction with these results, the Big “I” also compiled a comprehensive look at mandatory insurance in an informational box of documents that weighed 16 pounds. So, when the elimination of mandatory surfaced again in 1995, the Big “I” was ready. The Big “I” delivered one 16 pound box to each legislator on the Banking and Insurance Committee, allowing them to better understand the issue and to see how their constituencies really felt. The Big “I” also testified that if auto insurance isn’t mandatory then less people will purchase it, increasing the risk for an insurer to insure those individuals who wish to purchase insurance. This scenario, of course, would result in an increase premium expense. By opposing the elimination of mandatory auto insurance, the Big “I” **defended the rights of auto insurance consumers**, helping to maintain lower auto insurance premiums.

By utilizing our grassroots network, IIAB of Arizona was also able to contact nearly every legislator and express the association’s concerns regarding the sunset of mandatory auto insurance. IIAB of Arizona and its members supplied the legislative body and staff with information showing the importance of maintaining these laws. Through persistence and perseverance, the Big “I” and its members swayed enough legislators to keep the mandatory insurance laws in tact. The severity of the sunset situation showed in the final vote count as the bill passed with not one vote to spare.

In addition, the Big “I” was able to further secure the financial responsibility laws by repealing the aforementioned sunset date. By repealing the sunset date, the legislation removed the mandatory auto insurance laws from “session” law and placed them into “statute” law. Now, in order for the mandatory auto insurance laws to be eliminated, it would be necessary for a legislator to introduce legislation.



IIAB of Arizona Wall of Fame - 1994

Big “I” Prevents Disastrous Requirements on Agents

Once in a while a concept is introduced at the Legislature which would be the death of our memberships’ agencies. Oddly enough, a proposal clearly fitting this description to anyone in the industry, can gain momentum among Legislators who fail to recognize its impact on the insurance agents in their community and the consumers they serve. That is where the Big “I” Government Affairs team steps in.

In 1994 Polaroid hired a lobbyist to run legislation, which would require insurance agents to submit to the insurance company photos of every auto they insured within 48 hours of binding coverage (digital cameras had not been invented yet). Coincidentally, at that time Polaroid had the only camera that could render instant photographs. To avoid opposition from insurance companies, the bill had no provisions to reimburse the agent for the cost of the film, or any mailing fees incurred. Furthermore, it required the agent to meet the insured at a time of day and location specified by the insured for the vehicle “inspection” and mandatory three photographs. Obviously, this proposal would have imposed disastrous requirements on the agent community without providing for any ability to recover for film costs, not to mention time spent compiling the photographs.

How in the world did a proposal this ridiculous gain any momentum you are asking? Well, there are a couple of factors involved. First, Polaroid hired a lobbyist with very influential connections to the leadership of the Legislature. Second, Polaroid was successful in passing the bill in California, and held that up for an icon to justify its need in Arizona (this statute was repealed shortly after its enactment in California). Finally, they used key catch phrases to promote the bill, claiming it would cut down on fraud and limit auto theft.

IIAB of Arizona was the only agent Association to take on Polaroid and oppose the proposal. Although our Association has always supported anti fraud and auto theft prevention methods, this proposal was unacceptable for our membership. Not only did we work relentlessly on behalf of our membership to defeat the proposal in ‘94, but had also successfully defeated it in 92’ and 93’ when it was initially introduced at the Legislature.

If this proposal would have passed, agents would have been required to shoulder the costs of purchasing the Polaroid camera and film in order to comply. In addition, the burden would have been placed on the agent to meet the insured at the time and place of the insureds choosing, even if that meant 11pm across town, or be subject to E&O claims as a result of failure to bind coverage. The defeat of this disastrous proposal resulted in the savings of many millions of dollars as well as a great deal of time and resources and potential E&O claims for our members. IIAB of Arizona Government Affairs advocacy insures these same types of protections for years to come.



IIAB of Arizona Wall of Fame - 1993

Protecting Your Client Lists

As agents you work hard to develop a client list and, in reality, it is the only thing you own as an insurance professional. IIAB of Arizona recognizes the importance of client list ownership and confidentiality. Our government affairs staff has worked hard over the years on behalf of both our members and the insurance consumers they serve. In 1993, we won a notable victory at the Legislature, ensuring the protection of these lists, and have had many since.

In 1993, part of Arizona's mandatory auto insurance compliance laws required that individuals submit proof of insurance to Arizona Motor Vehicle Department (MVD) in the form of insurance identification cards. MVD's system would scan the insurance identification cards and store the policy holder and expiration data in electronic format. In Arizona any document or information possessed by a state agency is open to the public under the public records law unless otherwise specified. This created a loophole in Arizona law, which opened up our members' insured's confidential information: your client list, the most important asset you own.

This particular issue was difficult as IIAB of Arizona strongly supports increased enforcement of Arizona's mandatory auto insurance laws. However, our number one priority is protecting our members' client lists. IIAB of Arizona teamed up with the American Insurance Association to request a bill, recognized as possibly the most important bill of the decade for agents. The legislation prevented the MVD from selling agents' EXPIRATION LISTS to the general public. This is an essential issue for agents and IIAB of Arizona was the ONLY insurance agent advocacy group to recognize the impact of this bill or lobby for its support.

IIAB of Arizona is continuously monitoring changes in the industry to prevent loopholes which would allow this practice to take place. IIAB of Arizona also obtained legislation that prohibited third parties, who obtain or provide credit reports and MVRs in the insurance transaction, from gleaning insurance consumer data, compiling an expiration list, and marketing it to other agents. As new procedures and technology are introduced into the industry it is essential to monitor the changes in order to ensure that agents' client lists are not subject to sale by unscrupulous entrepreneurs. IIAB of Arizona has made this one of our top priorities for our membership and will continue to do so in the future. Without ownership of your agency client list, you own nothing.