



STRENGTH IN THE MIDST OF ADVERSITY

&gt; THE COUNCIL

OUR YEAR IN REVIEW

*Adversity is a litmus test of will and character. When circumstances converge to create a critical challenge, regular order often falls by the wayside, and survival instincts move to the forefront. Some who are under siege seek a path out of trouble, content to avoid flak and minimize fallout. Others seize the moment and use it as an opportunity to redefine their mission and chart a better course. >* The past year has been a time of challenge for commercial insurance brokers. Serious accusations of wrongdoing on both the brokerage and the underwriting sides of the business have shaken the industry to its core and recast the landscape.

LUCIUS ANNAEUS SENECA ROMAN PLAYWRIGHT AND POET

“FIRE IS THE TEST OF GOLD;  
ADVERSITY, OF STRONG MEN.”

The Council of Insurance Agents & Brokers, as the trade association of the leading commercial insurance brokers, has been challenged, too. Each of our members will decide, based on individual circumstances, how to respond to the changing business atmosphere. But if they need guidance or assistance with those important decisions, The Council is there to help them negotiate churning waters and return safely to shore.

Over the years, leading commercial insurance brokers have looked to The Council for cutting-edge business intelligence and thoughtful industry insights. The fall Insurance Leadership Forum at The Greenbrier is without question the premier networking event for the commercial property/casualty industry. And the spring Employee Benefits Leadership Forum at The Greenbrier—in only four years—has secured its place as the signature gathering for benefits brokers and carriers.

As vital as The Council’s information services and networking events are to our members, during *this* year The Council’s advocacy efforts were in the spotlight. At both the state and federal levels, our goal was clear: to preserve our members’ ability to respond to market demands as they see fit. The Council has labored tirelessly to ensure that regulators and lawmakers responded appropriately—but did not overreact—to the allegations of wrongdoing by a tiny segment of the industry.

In normal times, advocacy flies under the radar, leaving the flash and dash to higher-profile activities. But the dogged investment of time and shoe leather pays off down the road when trouble strikes, providing the influence in the corridors of power that one needs. The Council’s strong, established grid of contacts has never been more important, more needed—or more appreciated—than during the past year.



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> THE COUNCIL





The charges of fraud and bid-rigging were first raised in New York, but the impact quickly was felt around the country. Within a year, about 40 other investigations by state regulators were underway, as well as 17 probes by state attorneys general. The Council worked diligently to be a rapid and dependable source of information to our members.



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## YOUR INFORMATION RESOURCE



RICHARD HYLANT PRESIDENT &gt; TOLEDO OPERATIONS &gt; HYLANT GROUP &gt; TOLEDO, OH

“FOR US, IT HAS BEEN AN OPPORTUNITY, AND A DAMN GOOD ONE. FOR THE INDUSTRY, IT HAS BEEN A CHALLENGE. IT HAS CREATED SOME HEALTHY DIALOGUE.”

To keep our members updated on developments in various states and to give them the resources to protect their business interests, The Council:

- > Commissioned a poll of commercial customers to assess the degree of damage to the reputation of brokers and agents and to determine ways to cement the bond of trust between broker and customer at the heart of our business relationships.
- > Initiated *Special Reports* to share important developments on investigations and inquiries, as well as proposals being considered by specific state legislatures, on Capitol Hill and by the National Association of Insurance Commissioners.
- > Developed tools to help members communicate more clearly with their clients regarding the services they perform and the cost of those services.
- > Worked actively in key states like California, New York and Illinois to gather information and keep a handle on regulatory developments. To promote a compensation transparency agenda, offered support through members and assistance at the request of local groups in other states.
- > Reinvigorated the Legal Counsel's Working Group to exchange vital information on the latest developments and receive invaluable advice and feedback from some of the best legal minds in the brokerage industry.
- > Developed crisis communications, strategy and positioning and established a crisis team of Council officers and board members to provide input, insight and direction.
- > Created a special section of The Council's website ([www.ciab.com](http://www.ciab.com)) to give members a one-stop location for news, background and resources to help craft business strategy, as well as talking points on the various investigations and developments.

*Leader's Edge*, The Council's prize-winning magazine for commercial insurance brokers and agents:

- > Expanded to 10 issues annually in 2005, with circulation reaching nearly 15,000.
- > Added a gold "Eddie" award for best editorial content and a gold "Ozzie" award for design from *Folio* magazine to its national recognitions.



Contacts, information, discussing the issues, sharing ideas—all these are the lifeblood of The Council’s members, important both to individuals and to their companies. “Being at a Council event means you’ve got the consolidated wisdom, insight and interaction of the best minds in the business. That sort of information and feedback is invaluable,” noted member Charlie Daniels. And The Council offers unparalleled opportunities for such participation.



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THE COUNCIL >

# 05



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OCTOBER 2005

**The 92<sup>nd</sup> annual Insurance Leadership Forum** at The Greenbrier featured keynote addresses by two former Secretaries of State, Madeleine Albright and Colin Powell. Brokers and agents attending the sold-out conference had countless occasions to make contacts and gather information vital to the commercial property/casualty business.

JUNE 2005

**The Employee Benefits Leadership Forum** at The Greenbrier—with attendance triple that of the 2001 inaugural event—provided unequalled opportunities for Council members in employee benefits to grow their business.



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AT YOUR SERVICE



Insurance is a complicated business. In days gone by, commercial brokers simply had to get a license, and they could do business without worrying about other requirements. But in this new regulatory atmosphere, the business marketplace can change dramatically—with little warning. That puts a premium on information, business intelligence and legal action and updates.



**BILL GRAHAM** PRESIDENT > THE GRAHAM COMPANY > PHILADELPHIA, PA

“I HAVE BELONGED TO THE COUNCIL SINCE 1983. I’M VERY PROUD TO BE A MEMBER. THE COUNCIL IS A GREAT SOURCE OF INFORMATION AND CONTACTS.”

During the past year:

- > The Council won another key victory in the ongoing battle to eliminate countersignature laws with a summary judgment in Puerto Rico. Council victories are being appealed in Puerto Rico and Nevada; we await judgments in South Dakota and the Virgin Islands.
- > The Foundation for Agency Management Excellence (FAME) produced three reports summarizing state insurance laws and regulations—*Producers’ Fees and Commissions*, *Producers’ Fiduciary Responsibilities for Trust Accounts* and a study on surplus lines. In the past, such reports might have become quickly outdated because of the fast changing regulatory and legal environment. However, The Council is for the first time offering an innovative service to enable members—not just executives but every employee in the firm—to receive automatic updates for a modest access fee through The Council’s online electronic library.
- > Through its website, The Council provides members with regular updates on state activities dealing with broker disclosure laws and regulations.
- > The Council’s quarterly Commercial Market Index offers a snapshot of market conditions and premium trends for the property/casualty market. The Employee Benefits Market Index gives a semi-annual view of benefits market trends.
- > The weekly e-newsletter, *Market & Company Report*, provides summaries of key news stories and developments for the industry at large, as well as state and international developments and ratings information.

- > Quarterly technology reports keep member firms aware of the latest advances and cutting-edge business solutions.

The Council also engaged in breakthrough activities on the benefits side of the business, including:

- > Work with the Treasury Department as officials prepared critical guidance on the new Health Savings Account (HSA) options, a potential way for employers to counter rising health care premium costs.
- > Consultations on Capitol Hill on issues such as various Social Security reform options and plan design and regulation of association health plans.
- > A report, financed by FAME, on HSAs and high-deductible health plans. Member firms are distributing the report to their clients to educate potential customers.
- > The monthly e-newsletter, *For Your Benefit*, that summarized state and federal developments for benefits producers, and provided important analysis from legal counsel relating to key benefits issues.

On the legislative front, The Council:

- > Worked to advance its members’ interests in the debate to extend the Terrorism Risk Insurance Act (TRIA), set to expire at the end of 2005. The Council conveyed key points through formal testimony and one-on-one Capitol Hill meetings with lawmakers and key staff members.

- > Sponsored the annual Insurance Legislative Summit on Feb. 9–10, offering meet-and-greet opportunities and in-depth discussions with leading senators and representatives.
- > Increased contributions to CouncilPAC, the association’s political action committee, to a record \$230,000 in 2005, allowing The Council to set a goal of expending \$500,000 in the coming election cycle, a significant expansion of Council recognition on Capitol Hill.

To help members recruit and retain high-quality insurance professionals, The Council continued its impressive human resources initiatives:

- > Onsite management training, executive workshops and sexual harassment prevention training for member firms, and special executive forums at the Greenbrier meetings.
- > A monthly newsletter, *Industry Initiatives*, to keep HR professionals and top managers advised of developments, information and consultative services.
- > Recruitment support for member firms through the development of job descriptions and compensation surveys; preparation of employment advertisements; review of resumes and telephone screenings; interview recommendations and reference checks; and assistance with pre-employment assessments.



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A VOICE FOR TRANSPARENCY AND TRUST



Despite a spate of negative news stories when the New York investigations became public knowledge, the vast majority of corporate customers remain convinced their insurance agents and brokers are honest, trustworthy professionals. The Council has worked to defend our members and stand up to those who would mischaracterize and distort our industry.



**BILL CURTIS** MANAGING PARTNER > SULLIVANCURTISMONROE > IRVINE, CA

“IT DOES WAKE YOU UP. WE HAVE TO BE MORE POLITICALLY SAVVY. WE HAVE TO EDUCATE THE GENERAL PUBLIC ABOUT THE VALUE OF INSURANCE AND WHAT INSURANCE IS ALL ABOUT.”

For the past year, The Council also has worked on behalf of its members to let the marketplace, not the government, decide the best way to do business. We have opposed efforts that would undermine the free market by imposing specific obligations or business plans on our members, and we have supported efforts to strengthen the trust relationships between our members and their clients.

Trust is why our customers have remained solidly behind us. But customers also have made it clear that they want compensation practices to be transparent, and disclosure practices to be strengthened.

We have been an outspoken proponent of disclosure in our industry. The value of finding the most appropriate carrier and the best risk management solution for our commercial customers is considerable. It makes sound business sense to be open and candid about compensation arrangements. Disclosure is the surest way to avoid conflict of interest or even the appearance of conflict. Transparency is what clients want. We support disclosure because we have nothing to hide.

The Council has advanced a disclosure agenda in congressional testimony, in the news media, at industry meetings and forums, at three meetings of the NAIC and in calls and written communications with an NAIC task force drafting a model disclosure regulation.

We are the only insurance trade association to embrace the model disclosure statute proposed by the NAIC and urge its adoption as a uniform standard by state legislatures around the country. Although not many states have considered the NAIC model standard, The Council remains committed to promoting disclosure and transparency. We believe it is the right solution for the future of our industry.

Trust is the basis of our relationships. Trust is always the best call.



# STRENGTH IN THE MIDST OF ADVERSITY

THE COUNCIL >

## 2006 MEETINGS SCHEDULE



FEBRUARY 8–9

**Insurance Legislative Summit/  
Board of Directors Meeting**

Mandarin Oriental Hotel  
Washington, DC

MAY 4–7

**Midyear Board of Directors Meeting /  
Strategic Work Session**

Bernardus Lodge  
Carmel, CA

MAY 31–JUNE 3

**Employee Benefits Leadership Forum**

The Greenbrier  
White Sulphur Springs, WV

OCTOBER 7–11

**Insurance Leadership Forum**

The Greenbrier  
White Sulphur Springs, WV

NOVEMBER 15–17

**Council of Employee Benefits Executives  
Board Meeting**

Washington, DC



THE  
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