



NEWS EXCLUSIVELY FOR MEMBERS OF THE PSLA

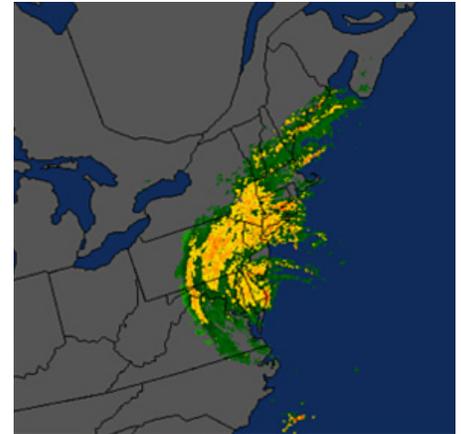
PSLA Members Respond in the Wake of Hurricane Irene

First the earthquake... and several days later, the mid-and eastern regions of Pennsylvania were ravaged by the monsoon-like rains and high winds of Hurricane Irene (CAT 59). The storm caused dangerous flooding and widespread damage leaving half a million people without power. On August 26th, Governor Tom Corbett declared a statewide disaster emergency, in anticipation of the effects of the storm. Fortunately, Irene lost much of her power after making initial landfall in North Carolina, but still hit Pennsylvania and New Jersey with the brunt force of its bands of wind and rain on August 28th.

PSLA members responded to help their retail producers and insureds in processing claims and responding to questions about their coverages. While some members report having lost power, service was quickly restored enabling them to respond to the calls for assistance from those who were affected more adversely. Property damage and business interruption comprised the majority of claims being received.

These events once again place the spotlight on the surplus lines marketplace, and the ability of agents, brokers and companies to respond to the need for coverage on flood, earthquake, wind, coastal, and other unique property, DIC and specialty lines of insurance coverage. The surplus lines industry has routinely provided a safe harbor for these distinctive risks, not usually the province of the admitted insurance companies. Both domestic insurance carriers and the Lloyd's marketplace secure Pennsylvania property and business interruption/continuity risks. Moreover, the ability of PSLA member professionals to respond quickly, efficiently and completely at times like these add to differentiate them from others unable to do so.

In the event you have a unique story, and any photographs of the recent events, please send them to us at: memberservices@pasla.org.



Portions of Chester Pike had to close due to flooding near Eddystone, PA.



Bridge in Mehoopany, PA (Wyoming County) taken out by Hurricane Irene.



Members of PA's Task Force One return after providing relief to areas hit by Hurricane Irene.

NRRA Implementation Update in PA: The Keys to Compliance

For those PSLA members participating in the recent 2011 Annual Meeting, it did not take long to realize the convention's theme of "The Consistency of Change" was an appropriate one.

As other states were continuing to work on last minute implementation schemes, Pennsylvania effected a procedural change on July 1, 2011 for more clear-cut and precise tax and accounting purposes to comply with the federal Non-Admitted and Reinsurance Reform Act (NRRA). [Click here](#) for a full copy of the NRRA.

As the PSLA previously advised in its June 30th Bulletin, Pennsylvania Governor Corbett signed legislation granting the Commonwealth the authority to tax 100% of the premium for a multi-state risk in which Pennsylvania is the "home state" of the insured.

The NRRA became effective in all states on July 21, 2011, but Pennsylvania instituted its new procedures several weeks earlier. The following information is offered as a summary of the manner in which Pennsylvania will implement the NRRA pursuant to its enacted statute:

Home State ¹ of the Insured:	PA follows the definition as stated in the NRRA definition ¹ (see further below)
Premium Tax:	100% to PA at the rate of 3%
Exempt Commercial Purchaser:	PA Industrial Insured + NRRA approach
Eligible Insurer:	NRRA approach
Producer Licensing:	License required only for placements for PA insureds; silent on participation in NAIC or similar database by July 21, 2012
Effective Date:	July 1, 2011

¹ "Home State" is defined in the NRRA in §527, as follows:

(6) HOME STATE. -

(A) IN GENERAL. - Except as provided in subparagraph

(B), the term "Home State" means, with respect to an insured -

(i) the State in which an insured maintains its principal place of business or, in the case of an individual, the individual's principal residence; or

(ii) if 100 percent of the insured risk is located out of the State referred to in clause (i), the State to which the greatest percentage of the insured's taxable premium for that insurance contract is allocated.

(B) AFFILIATED GROUPS. - If more than 1 insured from an affiliated group are named insureds on a single nonadmitted insurance contract, the term "Home State" means the Home State, as determined pursuant to subparagraph (A), of the member of the affiliated group that has the largest percentage of premium attributed to it under such insurance contract.



Kenneth A. Rudert, Executive Director of PSLA had the opportunity to be present for the official signing of Act 28 & 29 that brings the Pennsylvania Surplus Lines Law in compliance with the NRRA.

Sitting: Stephen J. Johnson, Deputy Insurance Commissioner, Pennsylvania Insurance Department, Pennsylvania Governor Tom Corbett, Michael F. Considine, Insurance Commissioner

Standing: Kenneth A. Rudert, Executive Director of PSLA, Allison Dutrey – Legislative Director for Senator Don White, Kari Kissinger – Director, Legislative Office, Pennsylvania Insurance Department

NRRA Implementation Update in PA: The Keys to Compliance, cont'd.

Defining “Home State of the Insured”

The home state is where an insured maintains its principal place of business or, if the insured is an individual, the individual's principal residence. §1602 P.L. 682, No. 284. However, if 100% of the insured risk is located outside of the state of the principal place of business or principal residence, the home state is the state that collects the greatest percentage of the insured's taxable premium. §41-1213(7)(a)(ii). If more than one insured from an affiliated group is named insured on a single nonadmitted insurance contract, the home state is the home state of the member of the affiliated group that has the largest percentage of premium attributed to it under the insurance contract. §41-1213(7)(b).

Multi-State Risk Surplus Lines Premium Taxes

The statute does not authorize the Insurance Commissioner to enter into a multi-state agreement for tax allocation purposes.

For policies placed before July 1, 2011 that cover risks or exposures inside and outside of Pennsylvania, only the portion of the premium reasonably ascribable to that portion of the risk located in Pennsylvania will be taxed at 3%. §1616(1) - (2)(i) P.L. 147, No. 14.

For policies placed after June 30, 2011 that cover multi-state risks, Pennsylvania will collect a 3% tax on gross premiums charged, less any returned premiums. §1616(1)-(2)(ii) P.L. 147, No. 14.

Exempt Commercial Purchasers

Pennsylvania has an industrial insured exemption. That exemption will remain in effect. Pennsylvania has also adopted the NRRA approach to exempt commercial purchasers. As defined in §1610(c) P.L. 682 No. 284, an exempt commercial purchaser is a purchaser that procures insurance coverage through a qualified risk manager,

has paid at least \$100,000 in property and casualty insurance premiums in the last year, and meets one of the following criteria:

- Had a net worth of over \$20 million at the end of the preceding fiscal year;
- Had net revenues or sales over \$50 million at the end of the preceding fiscal year;
- Has more than 500 full-time employees per individual company, or is a member of an affiliated group employing more than 1,000 employees in the aggregate;
- Is a municipality with a population of more than 50,000 people; or
- Is a nonprofit organization or public entity generating annual budgeted expenditures of at least \$30 million.

Under §1610(a)(1) P.L. 682 No. 284, brokers procuring or placing insurance for an exempt commercial purchaser are not required to make a due diligence search to determine whether the full amount or type of insurance sought by the exempt commercial purchaser can be obtained from an admitted insurer if:

- The broker discloses to the exempt commercial purchaser that such insurance may or may not be available from the admitted market that may provide greater protection with more regulatory oversight; and
- The exempt commercial purchaser has subsequently requested in writing the broker to procure or place such insurance for a nonadmitted insurer.

Surplus Line Insurer Eligibility Criteria

Under §1605(a)(2)(i) P.L. 682 No. 284, a surplus lines broker may place insurance with a foreign insurer if:

- The insurer is authorized to place that type of insurance in its domiciliary jurisdiction; and
- The insurer has capital and surplus – or its equivalent under the laws of its domiciliary

jurisdiction - of at least \$15 million.

The Insurance Commissioner may waive the minimum capital and surplus requirement for unauthorized foreign insurers if the Commissioner makes an affirmative finding of acceptability after considering: quality of management, capital and surplus of a parent company, company underwriting profit and investment trends, market availability, and company record and reputation within the industry. The commissioner may not make a finding of acceptability if the insurer's capital and surplus is under \$4.5 million. §1605(a)(2)(i) P.L. 682 No. 284.

A surplus lines broker may place insurance with an alien insurer if the insurer is listed on the quarterly listing of alien insurers maintained by the NAIC. §1605(a)(2)(i) P.L. 682 No. 284.

National Producer Database

Under the NRRA, Pennsylvania may not collect any fees relating to licensing of an individual or entity as a surplus lines broker in Pennsylvania unless the state has in effect by July 21, 2012, laws or regulations that provide for participation by the state in the national producer database of the NAIC, or any other equivalent uniform national database, for the licensure of surplus lines brokers and renewal of such licenses.

PSLA Bulletin

The following NRRA Bulletin was issued by the PSLA on June 30, 2011:

We would remind all surplus lines licensees that the changes involved will affect **multi-state risks** with a policy effective date of July 1, 2011 and thereafter. With these risks, the usual 3% tax on gross premiums will be applied to the total premium (100% of the total U.S. premium) rather than the allocated portion of Pennsylvania premium when Pennsylvania is deemed the “home state”. In addition, the applicable Pennsylvania surplus lines filing will still

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Surplus Lines Premium Firming: Stamping Office Reports for the First Half of 2011

Surplus Lines premiums firmed in the first 6 months of 2011 in comparison to the same period in 2010 in Pennsylvania. A total of \$387.9 million in premium was recorded, in comparison to \$386 million for the same period in 2010 for an increase of 0.5%. The increase was consistent with the experience reported generally among all of the state stamping and surplus lines service offices, which reported a combined increase of 11.4% or total premium of \$10.2

billion, as shown in the chart below.

Pennsylvania also had a 3.7% increase in the number of items reported in the first 6 months of 2011 to 85,324, compared to 82,316 recorded during the same period in 2010.



PA recorded a total of \$387.9 million in premium for the first 6 months of 2011, in comparison to \$386 million for the same period in 2010 for an increase of 0.5%.

SURPLUS LINES STAMPING OFFICE / SERVICE OFFICES FIRST HALF 2011 / 2010 COMPARATIVE STATISTICS

STATE	RATES		6 MOS. PREMIUM (MILL.)		%CHG	6 MOS. ITEMS		%CHG	COMMENTS
	ST. FEE	SL TAX	2011	2010		2011	2010		
AZ	0.20%	3.00%	\$172.6	\$167.3	3.2%	31,629	30,922	2.3%	
CA	0.25%	3.00%	\$1,983.3	\$1,905.2	4.1%	228,482	209,545	9.0%	
FL	0.10%	5.00%	\$2,208.9	\$2,347.2	-5.9%	460,453	525,121	-12.3%	
ID	0.25%	1.50%	\$26.4	\$30.6	-13.7%	6,978	6,675	4.5%	
IL	0.10%	3.50%	\$492.4	\$503.4	-2.2%	85,108	72,495	17.4%	
MN	0.08%	3.00%	\$150.0	\$147.9	1.4%	17,806	16,340	9.0%	New stamping fee rate effective January 1, 2011
MS	0.25%	4.00%	\$163.6	\$179.0	-8.6%	51,863	54,211	-4.3%	5% Windstorm assessment on all risks effective June 30, 2011
NV	0.40%	3.50%	\$83.2	\$99.5	-16.4%	13,827	13,296	4.0%	Penalty of \$50 for late filing
NY	0.20%	3.60%	\$2,522.4	\$1,356.9	85.9%	105,746	101,317	4.4%	Additional fee of \$25 applies for late/erroneous filing
OR	\$15.00	2.00%	\$109.0	\$120.3	-9.4%	18,653	19,371	-3.7%	New flat stamp. fee effect. June 1, 2009 (no fee on endts) Additional 1% tax on "fire" premium
PA	\$25.00	3.00%	\$387.9	\$386.0	0.5%	85,324	82,316	3.7%	Additional fee of \$25 applies for late filing
TX	0.06%	4.85%	\$1,571.4	\$1,590.7	-1.2%	415,926	417,130	-0.3%	
UT	0.15%	4.25%	\$83.1	\$76.2	9.1%	10,641	9,612	10.7%	
WA	0.10%	2.00%	\$247.4	\$245.6	0.7%	44,133	41,239	7.0%	New stamping fee rate effective July 1, 2011
TOTAL			\$10,201.6	\$9,155.8	11.4%	1,576,569	1,599,590	-1.4%	

NY data is gross premium; 2011 net premium = \$1,588.1 million.

FL data includes premium & items for independently procured insurance.

TX data is net premium, excluding \$385.0 million in "other state" & \$77.0 million in "tax exempt" premium.

Items include certain non-premium filings in IL, NV, & TX.

Source: Surplus Lines Stamping Office of Texas

NRRA Implementation Update in PA: The Keys to Compliance, cont'd.

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be required when Pennsylvania is the "home state". This is what is referred to as the "home state rule" by the NRRA. The following link will provide access to a copy of the [NRRA](#). It should also be noted that when a multi-state risk is placed in a state other than Pennsylvania and that state is deemed the "home state", Pennsylvania will not require any documentation as the expectation is that this will be filed and

taxed in the appropriate "home state".

A number of states have passed legislation enabling their Insurance Departments to enter into a multi-state agreement to apportion surplus lines taxes collected with other states that have entered the same multi-state agreement. Pennsylvania's legislation, like some other states, does not enable the Insurance Department to enter into such agreements without a

statutory amendment. Due to the delayed timing of all of these events, this Bulletin is for notification purposes only, we will be forwarding more specific details to your attention shortly.

A full and complete copy of the PSLA Bulletin can be accessed here: <http://www.pasla.org/Bulletins/B-2011-06-30.pdf>.

Nanotechnology and Hazardous Products

By: Ralph Sabbagh, GenStar Management Company*

Today, there are more than 13,000 patents registered with the U.S. Patent Office with the word "nano" in them and that number continues to grow [1]. Nanotechnology is the study of manipulating matter on an atomic and molecular scale. Nanotechnology deals with structures sized between 1 and 100 nanometers which is one-billionth of a meter [2]. That's the official definition but what it really means is that with the help of recent science discoveries, we are able to use extremely small particles to create or modify certain materials to make them either stronger, brighter, give better UV

protection, or make them stain resistant, etc.

The reason why Nanotechnology is becoming a concern is that it is used in a multitude of products which are common and widely available. For example, you will find Nanotechnology in many health products, i.e. creams and sunscreens. Many of the new sunscreens contain nanoparticles of zinc oxide or titanium oxide. Older sunscreen formulas used larger particles, which is what gave these older sunscreens their white color. The new sunscreens use smaller particles which are less visible allowing for the product to be transparent. Therefore, there are no more whitish streaks [3].

Nanotechnology is also used in clothing. By coating fabrics with a thin layer of zinc oxide nanoparticles, manufacturers can create clothes that give better protection from UV radiation. Some clothes have nanoparticles in the form of little hairs or whiskers that help repel water and other materials, making the clothing stain-resistant.

The same nanotechnology is applied on furniture or car seats [3]. Other products range from antimicrobial bandages to vitamins, drugs, paints and plastics.

Because nanotechnology is being used in

so many applications, a number of serious concerns have been raised about what effects that these new materials might have on products we consume. There are concerns that some elements at the nanoscale size might become toxic when used individually instead of in bulk. Some particles are so small that doctors worry that they could easily cross the blood-brain barrier, a membrane that protects the brain from harmful chemicals. There are additional concerns that developed particles found in certain construction materials or plastics might degenerate or have a reaction over time and create a substantial risk going forward [3].

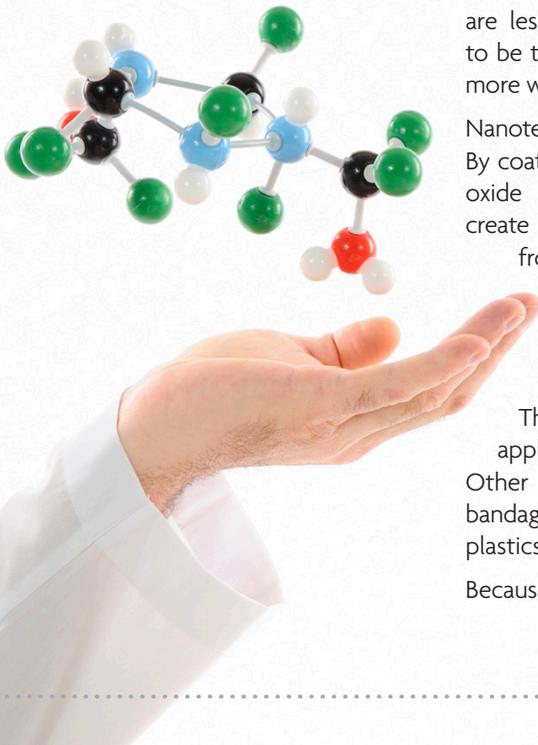
Without question, Nanotechnology is being called the next industrial revolution. The course covered the many implications, regulatory concerns, product development, occupational and consumer exposures, as well as the underwriting and coverage concerns with this important emerging exposure.

*Mr. Sabbagh provided a CE class on Nanotechnology and Hazardous products at the PSLA Annual Meeting in May.

[1] U.S. Patent and Trademark Office

[2] <http://en.wikipedia.org/wiki/Nanotechnology>

[3] <http://science.howstuffworks.com/nanotechnology3.htm>



PSLA Annual Meeting Provides Exclusive Access to PA Insurance Regulators & Market Insights To Members

The PSLA's 2011 Annual Meeting was another great success. The meeting's theme "The Consistency of Change," held true to form as presentations, interactive discussions and opportunities looked closely at the changing dynamics of today's surplus lines industry generally, as well as the events taking place in Pennsylvania.



Keynote address by PA Insurance Commissioner Michael Consedine

PSLA members from across the state came together to learn new information at the surplus lines continuing education sessions, hear from the Commonwealth's new Commissioner of Insurance and a panel of regulatory experts, benefit from the insights of Executive Director Ken Rudert and Board of Governors President Irene Barbera at the Business Meeting, listen to the advice of the keynote speakers, network at the various receptions and meals, and even take in a round of golf.

Held at the Bedford Springs Resort Hotel in Bedford Springs, PA on May 11th and 12th, the continuing education classes kicked off the PSLA's annual conference, and were followed by a networking reception and dinner, along with an entertaining speaker (see related articles). The Annual Business Meeting included a breakfast, followed by a keynote presentation of goals and objectives during the year ahead by Pennsylvania's Commissioner of Insurance, Michael Consedine. Noting his main objective was to continue to protect and educate Pennsylvanians and, thereby, safeguard consumer rights and ensure access to health and other vital insurance products. Commissioner Consedine reviewed the importance of the surplus lines marketplace in achieving that objective.

"Our Department is foremost a regulator of the insurance industry and my intention is to work with all of you to focus our time and energies on our core role," the Commissioner said. "Our approach will be consistent, effective regulation. Also, consistent with Governor Corbett's policies for job growth, we are going to do everything in our power to make Pennsylvania a state where insurance companies want to do business, especially a

place where they want to create insurance jobs. At the same time, we're going to continue to ensure that consumers are protected and have a choice of insurance products in a vibrant and competitive marketplace." He also thanked the PSLA's members for the important work being done in selecting proper markets and underwriting the risks that come into the surplus lines industry.

Deputy Insurance Commissioner Stephen J. Johnson, CPA, also addressed the attendees, and provided an overview of the Non-Admitted and Reinsurance Reform Act (NRRA), and the Department's response to implementing its provisions. Commissioner Consedine and Mr. Johnson fielded a number of questions on the NRRA and the manner in which Pennsylvania's new law will put the intent of Congress into practice.

Executive Director Ken Rudert provided additional details, and offered any assistance the PSLA staff can provide.

Another highlight of the Annual Meeting was the panel discussion of the many changes taking place in the surplus lines



Ken Rudert also presented outgoing President Irene Barbera with a token of appreciation on behalf of the PSLA, for the countless hours of service she contributed to helping to advance the Association and its members.

industry. The panel was comprised of Deputy Insurance Commissioner Stephen Johnson who, along with colleagues Commissioner Consedine and Director, Bureau of Licensing and Enforcement Jack Yanosky addressed NRRA implementation and other regulatory issues; Attorney Joel Hopkins of Saul Ewing, LLP in Harrisburg, provided an overview of pending insurance-related legislation in the Pennsylvania Legislature; and Rick Masters, Special Counsel to the Council of State Governments in Lexington, KY, provided an overview of interstate compacts and how



one would work in the allocation of multi-state surplus lines premium taxes.

The Panel also included Attorney Rich Fedei of the Colodny, Fass, Talenfeld, Karlinsky and Abate law firm in Tallahassee, FL, who provided an overview of insurance regulatory issues from a national

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PSLA Annual Meeting, cont'd.

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perspective. The topics included updates on the:

- National Association of Insurance Commissioners (NAIC) National Insurance Producer Registry (NIPR);
- Streamlined Procedures for Alien Insurers and Exempt Commercial Purchasers;
- NAIC's Producer Licensing Task Force;
- National Association of Registered Agents and Brokers (NARAB II);
- Extension legislation for the National Flood Insurance Program; and
- Reduced collateral for reinsurance credit proposals

Managing Change: Ready, Aim, Fire!

Keynote Speaker for the PSLA Annual Meeting was Dr. Todd Dewett, Change Consultant and Professor at Wright State University, who spoke to the group on the importance of proper communication when making organizational changes. In addition, he outlined the importance of recognizing the efforts of co-workers.



Dr. Todd Dewett

After an exercise that had PSLA members literally standing on their chairs with their eyes closed, Dr. Dewett spoke of the best way to recognize employees within an insurance agency or company. He noted that there are thousands of ways to recognize and reward employees. The problem is not finding ways to say thank you. The problem is that today's workplace has a tendency to recognize and reward people too much.

The profound rule that is too often neglected, he said, "is that all recognition and rewards should be provided contingent on performance. Not for showing up, and not for average performance either, but for providing clearly above average efforts and for achieving clearly above average outcomes." Somewhat ironically, Dr. Dewett

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PSLA Officers for the coming year

President - Edwin Rice Term - 2014	Insurance Consultant 603 South Bedford Street Carlisle, PA 17013	Telephone: 717-580-6271 Email: erice@cgfrems.org
Vice President - Judith Klingerman Term - 2014	Partners Specialty Group, LLC 100 Tournament Drive, Suite 214 Horsham, PA 19044	Tel: 484-322-0728 Fax: 484-322-0401 Email: jklingerman@psgins.com
Secretary - Charles Conway Term - 2012	Conway E&S, Inc. 100 Allegheny Drive, Suite 100 Warrendale, PA 15086	Tel: 724-779-9700 Fax: 724-779-9701 Email: cconway@conwayes.com
Treasurer - Gerald Henner Term - 2014	Edgehill Special Risk P.O. Box 1856 Horsham, PA 19044	Tel: 215-674-8112 Fax: 215-674-8115 Email: jhenner@edgehillspecialrisk.com

The Officers will work with the Board of Governors to help chart the course of the PSLA's continued provision of services to its members. The PSLA Board of Governors is comprised of the following: with the election of PSLA Officers for the coming year:

Past President - Irene Barbera Term - 2014	W. N. Tuscano Agency, Inc. 950 Highland Avenue Greensburg, PA 15601	Tel: 724-836-1510 Fax: 724-838-1433 Email: ibarbera@tuscano.com
Dennis Lewandowski Term - 2014	Wagner Agency, Inc 5020 Centre Avenue Pittsburgh, PA 15213-1898	Tel: 412-681-2700 x213 Cell: 412-697-2213 Email: lewandowski@wagneragency.com
Frances Reh Term - 2012	Insurance Innovators, Inc. 130 South Easton Road, P.O. Box 989 Glenside, PA 19038	Tel: 215-885-7300, ext 135 Fax: 215-886-2482 E-Mail: fran@iiigroup.com
Mary Marines Term - 2012	Pennock Insurance, Inc. P.O. Box 2000 Chadds Ford, PA 19317-2000	Tel: 610-358-2600 x1235 Fax: 610-358-3449 Email: mmarines@pennocksins.com
Jack Meeker Term - 2013	E.K. McConkey & Co. York Executive Center 2555 Kingston Road, Suite 100 York, PA 17402	Telephone: 717-755-9266 Fax: 717-755-9237 E-Mail: jmeeker@ekmconkey.com
Anthony Saltzman Term - 2014	Johnson & Johnson, Inc. 1225 Walton Road Blue Bell, PA 19422	Tel: 267-825-6110 Fax: 215-657-2830 Email: eam@jjins.com
Rita Hanebury Term - 2013	Connecticut Underwriters, Inc. 600 W. Germantown Pike Plymouth Meeting, PA 19462	Tel: 610-260-1499 Fax: 610-828-8257 Email: rhanebury@ctunderwriters.com
William Tierney Term - 2013	Insurance Markets Agency P.O. Box 258 Clarks Summit, PA 18411-0258	Tel: 570-586-1471 Fax: 570-586-3694 Email: wrtierney@insurancemarketsinc.com
Robert Creason Term - 2012	Christian-Baker Company 26 North 9th Street Lemoyne, PA 17043	Tel: 717-761-4712 Fax: 717-761-5810 Email: bobc@buybestins.com
Donn Snyder, Esq.	PSLA Legal Counsel P.O. Box 12002 Harrisburg, PA 17108-2002	Tel: N/A Fax: N/A Email: donsny@verizon.net
Maronetta Miller Legal Assistant	Saul Ewing LLP 2 North Second Street, 7th Floor P.O. Box 1291 Harrisburg, PA 17108	Tel: 717-257-7524 Fax: 717-257-7588 Email: mmiller@saul.com
Steve Masterson, CPA	ParenteBeard, LLC 320 E. Market Street, 6th Floor P.O. Box 625 Harrisburg, PA 17108-0625	Tel: 717-236-1100 Fax: 717-236-2200 Email: steven.masterson@parentebeard.com

PSLA Annual Meeting, cont'd.

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advised, “if you want the dollars and hours you invest in your recognition and reward program to have real impact, sometimes less is more - stop rewarding everyone all of the time. Make all rewards meaningfully contingent on performance - make them earn it.”

Using Humor for a Change

The PSLA’s dinner speaker was Scott Friedman, a motivational humorist who spoke on the benefits of using humor during times of transition and change.

With restructurings, takeovers, and layoffs sweeping the corporate world, employee insecurity and fear are at record levels. “The definition of an optimist in corporate America today,” Friedman suggested, “is



an employee who brings his lunch to work. Change has become a daily activity with no end in sight. Anxiety reverberates throughout the entire organization. During these times, corporations need some sort of antidote for stress. Sometimes, humor can be the best medicine.”

Friedman said that humor creates bonds

in the workplace, and is the shortest distance between two people. Humor helps establish a feeling of camaraderie and sets the tone for cooperation rather than confrontation and contention. “The health of any organization,” he said, “is in direct proportion to that organization’s ability to laugh at itself. Many companies are just too darn serious. Their structure and formality inhibit open communications and stifle creativity. If organizations would loosen up a little, they would realize that informality and spontaneity foster open communications and stimulate creativity. What setting is more informal and spontaneous than one with good humor, fun, and play?”

PSLA Continuing Education Live Webinars

One of the many PSLA member benefits is the ability to have access to surplus lines through leaders and instructors, who are sharing their knowledge and experience to help others influence and improve their daily professions. The PSLA sponsors numerous surplus lines education classes for continuing education credit.

Over 6 CE classes on surplus line topics have been provided for PSLA members to date. There is one remaining to be provided. Check the PSLA website for registration details.



CE CLASS	DATE	DESCRIPTION
Street Level Ethics	November 9, 2011 Webcast	Gain insight into ethical behavior, to understand why the terms “ethical” and “moral” are quite different (and why confusing them presents problems). You will also become familiar with inherent conflicts in being ethical (if it weren’t hard, everyone would do it) and gain an understanding of the value of a code of ethics. Through case studies, you will gain practice in seeing the ethical dilemmas in common insurance situations and have the opportunity to exercise individual judgment and reasoning in addressing ethical dilemmas, relying upon accepted ethical approaches and applicable codes of ethics.

PSLA Education Classes Go On-Line

Do you find yourself getting more and more of your education via computer? In this tough economy, with budgets tightening, are you looking for options that allow you to balance your classroom education and development with more economical venue, such as on-line classes? If that's the case, then the PSLA would like to help you.

Available now, the PSLA offers a number of on-line options that will help with the education and learning needs of all of your employees. We have partnered with several leading organizations to bring you what we believe is the best of course offerings available. Specifically, the following course options are open to you:

Webinars

We have partnered with Insurance Journal's Academy of Insurance to make webinars available to PSLA members at a 25% discount. When ordering, enter "PSLA" in the Discount Code Box at checkout.

Pre - Licensing Courses

We have partnered with Able Incorporated, a leading provider of on-line pre-licensing options to assist in your preparation for both insurance and securities licensing.

Agent and Adjuster Continuing Education Licensing

We have partnered with WebCE, who has the largest selection of on-line CE courses for our industry. These courses are not simply general insurance topics, but topics that are relevant to the excess and surplus lines industry. We have negotiated a discounted price for each course, so if you find yourself short on hours at the end of your renewal period, or if you cannot make



it to a classroom offering, check it out!

Insurance Education

We have partnered with the American Institute for CPCU/Insurance Institute of America to bring you their full offering of on-line courses, again at discounted prices. They currently offer over 50 courses on Insurance Fundamentals, Personal and Commercial Insurance, and a selection of Insurance Financial Dynamics. These courses can be used for new and existing employees, and as they add more to their list, they will automatically become available to you, as well.

Business Skills

For one low price, an individual will have one-year access to a library containing over 100 business skills courses. There is truly something for everyone in this library, and includes such topics as communication,

leadership, conflict resolution, negotiation, interviewing, business etiquette, and many more. Whether you are a front desk receptionist, an underwriter, accountant, principal owner or CEO, there is something in this library for you.

Microsoft Office Pack

Again, for one low price, you will have one-year access to over 50 courses, from introductory to advanced, on the full range of MS Office applications, including Word, Excel, PowerPoint, Access, etc. And these courses aren't simply static pages of text; they're interactive and force you to walk through various tasks.

Please check out the link on the [PSLA website](#) under the Membership tab for access and details on these CE offerings for PSLA members.



THE PSLA WANTS TO HEAR FROM YOU!

You've heard from us - now it's your turn. We love feedback, so please let us know your thoughts on this issue of the PSLA's Newsletter. Did you like it? Were the articles of interest and value to you? We're already planning the next issues, so please let us incorporate your ideas. Kindly direct your comments or questions to memberservices@pasla.org

So I'm Socially Connected... Now What?: New Considerations for Marketing in the Wholesale Insurance Industry

by Sandra Masters, CPCU, ITP

If you watch the news, read magazines, or surf the internet, there is no doubt that you have seen social media tools in action, but many in the wholesale insurance industry are taking a “wait and see” approach before they do a “deep dive” to truly experience social media at work. With over 600 million users, most people have discovered the value of having a Facebook profile to connect with friends and family. There are many others still struggling to figure out how to use tools like Facebook, LinkedIn and Twitter in business. Before jumping in, here are some answers to the questions you should ask yourself about utilizing Social Media in marketing efforts.

What is the Social Web?

There are many definitions but simply stated, the Social Web today can be described as individuals connecting, communicating, and collaborating online via the internet. Social technologies are designed for organizing humans into groups with similar interests and for enabling interaction with other humans.

Social technologies help answer these questions:

- **Identity:** who are you?
- **Reputation:** what do people think you stand for?
- **Presence:** where are you?
- **Relationships:** who are you connected with? who do you trust?
- **Groups:** how do you organize your connections?
- **Conversations:** what do you discuss with others?
- **Sharing:** what content do you make available for others to interact with?



With hundreds of social media tools that are used in the social web, it is important to understand that most of these tools fall into three categories:

1. Content Sharing (StumbleUpon, Digg)
2. User Generated Content (UGC)
Producing (YouTube, Flickr)
3. Relationship Building (Facebook, LinkedIn)

There are many other tools that combine the category features shown above. For example, blogs are user generated content, but also provide a great way to share news and opinions. Twitter has become the breaking news tool of choice, sharing your micro message (140 characters at a time) with all of your followers. Let's face it, the world is very large and distributed, time is short, and discovering the individuals and groups that can help you in your cause is made easier by participating in the Social Web.

Why should I be involved in Social Media Technologies?

Try typing that question into your favorite search engine. It is not just individuals

asking that question, but people who work in every industry – medical, teaching, law enforcement, government, technology, professional services, and the list goes on. When you discover the answer to your WIIFM (what's in it for me), that's when your social media journey will begin.

In the insurance industry we are seeing heavy use in recruiting, marketing, and product development. SmartPhone and iPad Apps are another popular way that insurance companies are connecting with their customers. Many companies have developed loss reporting apps and agent finder tools for the mobile market. Even the NAIC has gotten into the game with its iPhone app - “MyHOME Scr.APP.book” lets you quickly capture images, descriptions, bar codes and serial numbers of your prized possessions. The app organizes information room by room and even creates a back-up file for email sharing.

The development and adoption of social technologies follows the same evolution of every other form of human communication throughout history. To the extent that social interactions online can help you connect with the people and information that interests you, or that will help you at work or home, you should get involved. Social technologies are the tools of today to help humans to interact with each other and to build relationships.

How do I protect my privacy and online reputation?

Warren Buffett is credited for this quote: “It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently.” What

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should you do differently to protect your personal and professional reputation? It is true that the flow of information into the



internet has changed the game on personal reputation and privacy protection. There are three things you should consider when using social media tools:

1. Read the privacy statements and user license agreements of any social service you join, especially those services that are free. There is no free lunch! Your personal data is being shared over the internet and you must understand what information is being shared. When you join a new service the first thing you should do is go to the privacy settings and change them to suit your need for privacy.
2. Encryption is what will protect your data as it moves from your computer over the internet to its final destination. If you think about it - your data is moving around the world from server to server, at lightning speed. Whether you are using a smart phone, PC, dedicated internet or public Wi-Fi, be aware of the information you are transmitting and encrypt all sensitive data.
3. Common sense and good judgment will go a long way to protect your privacy and online reputation. Are you going to connect with anyone and everyone? Or will you keep your online circle of friends and associates to those who you know

and trust? Bottom line: when posting something online or sharing information (including links to other online content), would you want your family to see it?

If you are participating in social media for business, protect your reputation by incorporating a strategy of prevention, listening, and influencing. Is your company good at customer service? Does this service include connecting with customers online? Do you know what people are saying about your company online? Make sure you are responding to online comments with the same care you would provide over the telephone or through email. Are you listening? It is easy to set up a Google Alert to help you monitor what others are saying about your company online. You can even influence the conversation online by introducing yourself and responding to blog posts, news and other conversations about your company.

What considerations are important when developing a social media strategy?

As you get serious about your participation in social media, you should answer many more questions that will help you to define your goals and objectives. Is your current company culture ready for social media? If not, why not? What training is required to improve your organizational readiness? Who in your company should "champion" the social media effort? Is your employee handbook updated to

reflect employee policies on the use of social media and the rules of engagement? Who is your target audience and what social media spaces and places do they currently occupy? What desired outcomes and expected benefits do you want to realize by your participation? (Enhanced customer relations? Drive more traffic to your website? Getting constituents to talk to each other?) There are many outcomes and benefits to be realized by participating in social media; you should know your list of desired outcomes and benefits. How will you measure if you are reaching your goals and objectives? How can you demonstrate the measures of success if a solid ROI number cannot be calculated?

Where can I get information to learn more about Social Media?

The great thing about the internet today is that there is so much information available for free to help you stay up to date on what is happening in social media. Some of my favorite sources include the following:

1. SmartBrief on Social Media - www.smartbrief.com/socialmedia The editors of this daily e-newsletter do a great job of distilling the most useful information on social media.
2. Mashable - www.mashable.com/social-media This website is indispensable for staying ahead of the curve in social media trends.
3. The most popular social media tools (Facebook, LinkedIn, Twitter) have excellent online learning centers and help guides that give you great information to help build your web presence online.

Just like any marketing plan, a social media plan is essential to formalizing the manner in which you wish to harness the new power of networking and allowing customers to connect with you virtually - and instantaneously.

Sandra Masters, CPCU, ITP is an insurance industry learning leader and webinar producer, who helps small businesses with social technologies and internet marketing. Connect with Sandy at www.sandramasters.com.

Updates to the Eligible Surplus Lines Insurer & Export Lists

The Pennsylvania Insurance Department has announced the updates to the [Eligible Surplus Lines Insurer List dated January 4, 2011](#). You can obtain this update by clicking on the following link, [Eligible List Updates](#) which can also be found on PSLA's website under [Eligible Insurers](#).

The Department also released a new Export List effective as of May 7, 2011. The new list can be obtained by going to the following link on the [PSLA website](#) found under Electronic Filing, [Kinds/Classes/Export](#). This [Export List](#) supersedes the list dated April 24, 2010.



Pennsylvania Legislative Update

In the aftermath of Hurricane Irene, the Pennsylvania Insurance Department shifted some of its focus from health care to addressing issues from the hurricane. The Legislature is also preparing for the fall return of the General Assembly, including the Model Holding Company Law, which is currently being drafted.

Political News



Senator John Rafferty

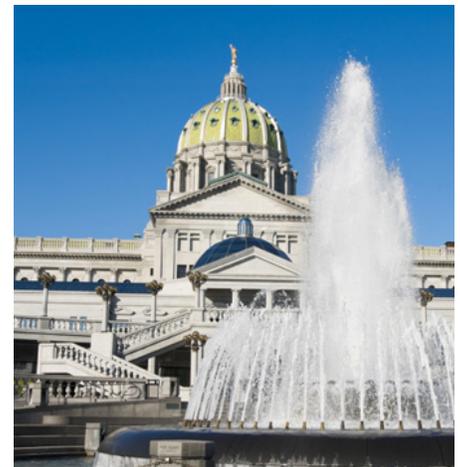
GOP state Senator John Rafferty of Montgomery County has confirmed that he will seek the Republican nomination for Attorney General in 2012, which will be

an open seat, as current Attorney General Linda Kelly advised she will not seek election. Senator Rafferty chairs the Senate Transportation Committee and served as a deputy Attorney General from 1989-1991.

Notices

The Insurance Department published a notice on August 26, 2011, titled Request To Utilize Adjusters and Appraisers Not Licensed In Pennsylvania Due to Damage From Hurricane Irene. Please click here for complete details: www.portal.state.pa.us/portal/server.pt/community/services_for_licensees/5233/notices_and_information/623217

The Insurance Department also published a notice in the September 3, 2011 Pennsylvania Bulletin to medical malpractice insurance carriers and self-insured health care practitioners subject to the Medical Care Availability and Reduction of Error (MCARE) Act that they need to report medical malpractice claims information to the Insurance Department (Department) for insureds who are subject to the Act, by October 15, 2011. Further information can be obtained by clicking here: www.pabulletin.com/secure/data/vol41/41-36/1527.html



PA Session Calendar

2011 Senate Session Schedule

September	19, 20, 21, 26, 27, 28
October	17, 18, 19, 24, 25, 26, 31
November	1, 14, 15, 16
December	5, 6, 7, 12, 13, 14

2011 House Session Schedule

September	26, 27, and 28
October	3, 4, 5, 17, 18, 19, 24, 25, 26, and 31
November	1, 2, 14, 15, 16, 21, 22, and 23
December	5, 6, 7, 12, 13, and 14

PSLA CE Class: Construction Defect & Contractors Liability - Deconstructing the Coverage Grants



PSLA Members attend the CE Class at the King of Prussia, PA location

Over 40 PSLA members attended an exclusive 4-hour CE webinar on Contractors Liability on September 14, 2011. The PSLA has been offering these electronic webinars as a member benefit all year, as well as to allow members to have access to surplus line experts on topical issues.

Craig Mathre, CPCU, Vice President of Casualty Underwriting for Verus Underwriting Managers in Glen Allen, VA presented the class. The impetus behind the presentation was based on the fact that over the past decade several serious challenges have been handed to providers of general liability insurance coverage for contractors, as homeowners and businesses have steadily marched to courthouses across the nation to take legal action alleging damage arising out of the use of inferior materials and poor methods of construction. The session examined the issues, the industry's response, and a look into the future as it relates to

the underwriting and claims aspects of construction defects.

The class started with some sobering statistics of construction defect claims:

- 80% involved residential construction;
- 50% involved water intrusion;
- 32% involved mold;
- 82% involved general contractors; and
- 11% of claims emerged after 5 years and only 60% emerged after 10 years

He examined the four major categories of construction defect: Design Deficiencies; Materials Deficiencies; Construction Deficiencies; and Subsurface / Geophysical Problems, and then moved on to the major coverage issues. Mr. Mathre advised the PSLA members on where the challenges usually occur in the coverage grant; namely, in the wording of the Insuring Agreement; the definitions of Occurrence and Property Damage; the Policy Exclusions and Additional Insured Endorsements. He

then conducted an in depth examination on the Coverage A Insuring Agreement elements of a covered Loss, the coverage triggers and the various ISO Endorsements. The presentation was followed by a lively exchange of questions arising in the underwriting of contractors liability, followed by answers provided by the instructor and other participants.

Comments received after the presentation were that the presentation was "very comprehensive," and that the instructor was "extremely knowledgeable and had a noble task to keep our attention for 4 hours on quite a technical topic."

The next PSLA - CE webcast will be on November 9, 2011, when a "Street Level Ethics" class is offered.