Insurers Play Defense in Flood Debate

Source: Zachary Warmbrodt, Politico

Companies that sell flood insurance on behalf of the federal government are facing fire from a bipartisan group of lawmakers who are threatening to cut their income and rein in their operations. The firms are in the spotlight as Congress prepares to reform the National Flood Insurance Program before it expires at the end of September. The program is the dominant provider of flood insurance in the United States and helps protect millions of homeowners from the financial risks of flood damage.

Some Republicans and Democrats are taking a closer look at insurers that participate in the NFIP’s “Write Your Own” program. Under an arrangement with FEMA, which runs the NFIP, private companies sell and service government-backed flood insurance policies and receive compensation from FEMA. With the whole program up for debate in the coming weeks, the insurers are preparing to fight back as coastal lawmakers propose limiting their profits and giving FEMA greater authority to intervene in how they run their businesses.

“I’d rather have a set of circumstances whether there’s either skin in the game ... or the policyholder should get relief,” Sen. Bob Menendez (D-N.J.) said.

House and Senate hearings over the last week delivered a bipartisan drumbeat of proposals and pointed questions aimed at the insurers Menendez, an outspoken critic of the flood insurance program because of the way it dealt with victims of Superstorm Sandy, announced Monday that he will be pushing for the insurers to pay attorney fees and penalties to policyholders in cases where the firms have engaged in “bad faith” when underpaying claims.

Menendez also wants to limit profits for the firms and further tie their compensation to performance, which he argues will save money and deliver better service for customers. Another Senate Banking Committee member, John Kennedy (R-La.), is putting together his own legislation that would give FEMA greater authority to force insurers to part ways with problematic attorneys and engineers.

"I'm not interested in prohibiting anybody from making a reasonable profit," Kennedy said in an interview. "The Write Your Owns provide a very needed service. But if they're using professionals who are abusing the process then [FEMA] ought to be given the authority to remove them."

Insurers were on alert last week when Rep. Sean Duffy (R-Wis.), who chairs a House insurance subcommittee and is playing a lead role in writing the upcoming NFIP reauthorization bill, asked questions about the firms' compensation during a hearing with a FEMA official. In a follow-up interview, Duffy said he hadn't taken a position on what to do.

"This is something we have to look at," Duffy said. "I thought it was appropriate that we ask him a question on it. Is it the right rate? Is it too high? Is it too low?"

Lobbyists for the insurers, as well as the sprawling industry of insurance agents that act as the sales force for the insurers, are playing defense on Capitol Hill. The Property Casualty Insurers Association of America, which leads a coalition representing almost all the Write Your Own insurers, is arguing that the majority of the compensation FEMA pays to the firms goes toward covering expenses rather than profits.
of America, whose members help sell insurance for the Write Your Own firms and receive commissions from them, has been trying to break down for lawmakers their compensation percentage compared to total costs for consumers and highlight the ways agents assist in the flood insurance process.

It’s not the first time the industry has been through the exercise. The flood program’s 2012 reauthorization bill required FEMA to revise its compensation for Write-Your-Own companies to better reflect expenses. FEMA has yet to implement the requirement from the 2012 law, and the Government Accountability Office in a December report urged the agency to develop a new methodology for paying the firms.

FEMA deputy associate administrator Roy Wright told senators at a hearing yesterday that there was a need to pull down costs, but said it was important to be fair to agents who are selling insurance on the ground.

"We need to make this more efficient as we go forward," Wright said.

The two pieces of legislation passed out of their respective committees of origin shortly after introduction with party line votes. This week, the bills are being considered in the House Budget Committee in order to be combined into one bill ahead of a potential vote by the full House.

House Republican leadership is currently in the process of building consensus for the plan within the House GOP conference. If the legislation passes in the House, prospects remain uncertain in the U.S. Senate.

It is important to note that the AHCA is just the first step in the repeal and replace process. Additional actions, including executive actions and further legislative proposals, are expected.

The Big “I” will continue to stay on the forefront of this critical issue and keep members up to date on relevant developments as the AHCA and other ACA repeal and replace efforts move forward.

House Advances Health Care Reform; Big ‘I’ Outlines Key Points
Source: Wyatt Stewart, Independent Agent

Last week, Republican leadership in the U.S. House of Representatives Energy and Commerce Committee, and the Committee on Ways and Means, released two bills which together comprise the American Health Care Act (AHCA)—legislation that would begin the process of repealing and replacing the Affordable Care Act (ACA).

The Big “I” compiled a summary of the relevant major provisions of the legislation, as well as other information that’s important to independent agents and brokers. Members must log in to independentagent.com to view the document. Go to Government Affairs, then Issues, and click on Health Care.

Simple Ways to Save on Airfare
Source: AAA

Americans will likely find busy airports and rising airfares during the next several weeks. The Travel Security Administration (TSA) expects 62 million air travelers for Spring Break.

This is the first big travel push of the year, and finding a low-priced air ticket may not be easy.

"In many ways, travel is cyclical and one common theme is that airfare costs increase when kids are out of school," said Vicky Evans, Assistant VP, Travel Sales Development, AAA - The Auto Club Group.

"We normally see airfares rise during Spring Break, slip lower in April and May, then shoot back up in the summer. Having knowledge of some basic principles when booking your flight can go a long way in helping you get the most for your money."
AAA’s Tips for Finding the Cheapest Airfare

• **Book early.** Air carriers want to fill every seat on the plane. They base their rates on supply and demand. Prices will be higher on flights with few available seats. Conversely, when empty seats are in high supply, the prices are adjusted to entice travelers to book.

• **Shop on a Monday or Tuesday, between midnight and 5 a.m.** Any flights booked during the day, that are not paid in full - are released at midnight, a time when most people are sleeping. This means more seat availability, reduced demand, and cheaper airfares.

• **Delete computer cookies.** If you check an air carrier’s website multiple times a day and notice the price of the flight has changed, try deleting your computer cookies. Otherwise, the website may remember that you visited before and might not show the lowest price available.

• **Travel during off-peak times.** Airfare is often much cheaper for early-morning or late-night flights. Since these times are inconvenient for many travelers, fares tend to be cheaper.

• **Get quotes from regional airports.** Oftentimes regional airports offer cheaper flights than international airports.

• **Bundle.** Travelers can find incentive pricing when booking their airfare together with a hotel and/or rental car.

“For many, searching the web for the cheapest airfare is daunting, which is why AAA highly recommends working with a travel agent to help save time and money,” said Evans. “Travel agents eliminate the hassle of surfing the web and ensure travelers will get the best flight, at the least expensive price.”

Travelers can speak to a travel agent at their local AAA branch, or compare prices and develop their own itinerary on AAA.com/Travel.

**Peak Travel Periods**
- Spring Break (late February - early April)
- Summer (Memorial Day weekend - Labor Day weekend)
- Thanksgiving
- Christmas/New Year’s

**Busiest Days to Travel**
- Friday, Sunday, and Monday (Domestic):

Heavier traffic days with Americans departing or returning from business trips or extended weekends.

• **Weekends (International):** The majority of international travelers start their vacation on a weekend.

**Attention International Flyers**
If you are going on an international flight, be sure your passport is up to date. If your passport is set to expire within 6 months of your return date, you will not be permitted to board the plane. Also, consult with a travel agent to learn more about visa and immunization requirements at your destination.

**Feds Raise Benchmark Interest Rate as U.S. Economy Improves**

Source: Associated Press

The Federal Reserve has raised its benchmark interest rate for the second time in three months and forecast two additional hikes this year. The move reflects a consistently solid U.S. economy and will likely mean higher rates on some consumer and business loans.

The Fed’s key short-term rate is rising by a quarter-point to a still-low range of 0.75 percent to 1 percent. The central bank said in a statement that a strengthening job market and rising prices had moved it closer to its targets for employment and inflation.

The message the Fed sent Wednesday is that nearly eight years after the Great Recession ended, the economy no longer needs the support of ultra-low borrowing rates and is healthy enough to withstand steadily tighter credit.

The decision, issued after the Fed’s latest policy meeting, was approved 9-1. Neel Kashkari, president of the Fed’s regional bank in Minneapolis, was the dissenting vote. The statement said Kashkari preferred to leave rates unchanged.

The Fed’s forecast for future hikes, drawn from the views of 17 officials, still projects that it will...
raise rates three times this year, unchanged from the previous forecast in December. But the number of Fed officials who think three rate hikes will be appropriate for 2017 rose from six to nine.

The central bank's outlook for the economy changed little, with officials expecting growth of 2.1 percent this year and next year before slipping to 1.9 percent in 2019. Those forecasts are far below the 4 percent growth that President Donald Trump has said he can produce with his economic program.

The Fed's rate hike should have little effect on mortgages or auto and student loans. The central bank doesn't directly affect those rates, at least not in the short run. But rates on some other loans -- notably credit cards, home equity loans and adjustable-rate mortgages -- will likely rise soon, though only modestly. Those rates are based on benchmarks like banks' prime rate, which moves in tandem with the Fed's key rate.

Mark Vitner, an economist at Wells Fargo, noted that the Fed's statement provided little hint of the timing of the next rate hike. The lack of specificity gives the Fed flexibility in case forthcoming elections in Europe or other unseen events disrupt the global economy.

"They don't want to prematurely set the table for a rate hike," Vitner said. "I think they're confident, but it's hard not to be cautious after we've had so many shocks over the years."

Stock prices rose and bond yields fell as traders reacted to the Fed's plans to raise rates gradually. The Dow Jones industrial average, which had been only modestly positive before the decision was announced at 2 p.m. Eastern time, closed up 112 points.

The Fed's statement made few changes from the last one issued Feb. 1. But it did note that inflation, after lagging at worrisomely low levels for years, has picked up and was moving near the Fed's 2 percent target.

Many economists think the next hike will occur no earlier than June, given that the Fed probably wants time to assess the likelihood that Congress will pass Trump's ambitious program of tax cuts, deregulation and increased spending on infrastructure.

In recent weeks, investors had seemed unfazed by the possibility that the Fed would raise rates several times in the coming months. Instead, Wall Street has been sustaining a stock market rally on the belief that the economy will remain durable and corporate profits strong.

A robust February jobs report -- 235,000 added jobs, solid pay gains and a dip in the unemployment rate to 4.7 percent -- added to the perception that the economy is fundamentally sound.

That the Fed is no longer unsettling investors with the signal of forthcoming rate increases marks a sharp change from the anxiety that prevailed after 2008, when the central bank cut its key rate to a record low and kept it there for seven years. During those years, any slight shift in sentiment about when the Fed might begin raising rates -- a step that would lead eventually to higher loan rates for consumers and businesses -- was enough to move global markets.

The Fed has managed its control of interest rates with exceeding caution, beginning with an initial hike in December 2015. It then waited an entire year before raising rates again in December last year.

But now, the economy is widely considered sturdy enough to handle modestly higher loan rates. Inflation, which had stayed undesirably low for years, is edging near the 2 percent annual rate that the Fed views as optimal.

And while the broadest gauge of the economy's health -- the gross domestic product -- remains well below levels associated with a healthy economy, many analysts say they're optimistic that Trump's economic plans will accelerate growth. His proposals have managed to boost the confidence of business executives and offset concerns that investors might otherwise have had about the effects of Fed rate increases.

Yet for the same reason, some caution that if Trump's program fails to survive Congress
intact, concerns will arise that the president's plans won't deliver much economic punch.

Investors may start to fret about how steadily higher Fed rates will raise the cost of borrowing and slow spending by consumers and businesses.

Big ‘I’ Fights Cuts to Crop Insurance in President’s Budget
Source: Jen McPhillips, Independent Agent

In anticipation of President Trump’s budget outline, the Big “I,” along with the D.C Agriculture Coalition, sent letters to top decision-makers in Washington, D.C. The letters outline opposition to proposed cuts to the Federal Crop Insurance Program (FCIP) in the President’s budget, as part of the congressional budget process, and as part of the appropriations process.

Sonny Perdue, Secretary-Designate of the United States Department of Agriculture; Mick Mulvaney, Director of the Office of Management and Budget; and the U.S. Senate and House Appropriations and Budget Committees received the correspondence.

The letters highlight that the 2014 Farm Bill made a multitude of cuts to this critical farm safety net. In addition to these cuts, the Congressional Budget Office projects that crop insurance will be more than $20 billion under budget compared to the costs projected when the 2014 Farm Bill passed. The letters caution that an overreliance on savings from the agriculture community will greatly undermine rural economies, and emphasize that crop insurance is an effective risk management tool that reduces taxpayer exposure to the constant demand for ad hoc disaster assistance.

The letters also express opposition to further cuts to the FCIP in the upcoming 2018 Farm Bill. The Big “I” expects Reps. Jim Sensenbrenner (R-Wisconsin) and Ron Kind (D-Wisconsin) to introduce legislation that attempts to severely limit farmer participation and cut critical resources for the crop program. The Big “I” will strongly oppose this misguided legislation which reduces participation in the crop program by singling out certain farmers based on size or crop value production.

The bill will also aim to reduce the overall risk pool for crop insurance and increase premiums on all farmers. Known as the “AFFIRM Act,” the legislation will also attempt to cut necessary resources that ensure efficient and effective delivery of crop insurance policies to farmers and ranchers across the country. American farmers collectively spend approximately $3.5-4 billion per year of their hard-earned money to purchase insurance from the private sector, and the Big “I” will continue to defend this important risk management tool.

Amazon, Apple and Tesla Have ‘Opportunities in Insurance’
Source: Allie Sanchez, Insurance Business America

They don’t want you to just use their technology, they also want you to get insurance from them.

That is according to a joint report by Morgan Stanley and Boston Consulting Group, which says that the likes of Apple, Amazon, Verizon, and car maker Tesla are in a good position to sell car insurance as part of a “shared mobility” program in anticipation of the ubiquity of self-driving cars.

As cited by trade publication Investor’s Business Daily, the report noted that these tech giants are most likely to leverage their data capabilities, upon which the emerging usage based insurance (UBI) is mostly based.

UBI has been known to reduce the price of premiums based on data collected from drivers through technology, as well as provide more customized coverage.

“Car safety technology and shared mobility could bring non-traditional players to the $400 billion
global auto insurance market,” the report was quoted as saying.

Morgan Stanley also said that these disruptors could corner at least 20% of the market.

“We think it is possible to envisage a credible entry strategy for tech giants that leverages driver data collected by navigation apps such as Google Maps, Waze, or Apple Maps services. This would allow a tech giant to push competitive, tailored insurance offers to its customers,” the report added.

Medical Professional Underwriters Weigh Impact of Republican Healthcare Changes
Source: Joseph Harrington, Insurance Journal

As they grapple with persistently soft market conditions, medical professional liability (MPL) underwriters must weigh the potential impact on their business of proposed changes in the U.S. healthcare financing system.

As they gathered in Chicago for their annual meeting, MPL underwriters, along with the rest of the country, received the news that the Congressional Budget Office (CBO) is projecting that up to 24 million Americans could lose their health insurance by 2026 under terms of the proposed American Health Care Act (AHCA).

Proposed by Republicans in the House of Representatives and endorsed by the Trump Administration, AHCA would eliminate the individual mandate to purchase health insurance and shift premium subsidies from income to largely age-based criteria.

In those and other respects, the AHCA differs from the 2010 Affordable Care Act (ACA), commonly called “Obamacare,” but the AHCA also retains popular provisions of the ACA, including bans on lifetime coverage limits and on restrictions of coverage due to an insured’s pre-existing health conditions.

“Americans hate Obamacare except for the things that are in Obamacare,” said Ian Morrison, keynote speaker at the 2017 Medical Professional Liability Symposium of the Professional Liability Underwriting Society (PLUS).

Morrison, a healthcare futurist and author of books including “Healthcare in the New Millennium: Vision, Values and Leadership,” was generally critical of AHCA, especially its proposal to establish per capita limits on federal payments for Medicaid beneficiaries. It was not entirely clear from his remarks, however, how a change in healthcare financing would impact the environment for medical professional liability.

Certain profound changes in health care will likely continue whatever happens with the AHCA or ACA, he noted. These changes include:

- The consolidation and integration of health care organizations and practices;
- The shift from “volume-based” care (the number of procedures, essentially) to “value-based” care (the outcome of treatment);
- The continued shift from in-patient to out-patient “ambulatory” care for a growing number of conditions; and
- Implementation of improvements in Medicare reimbursement made possible under the 2015 Medicare Access and CHIP Reauthorization Act (MACRA).

Potential Impacts
During a “hot topics” panel discussion, moderator Paul Greve, executive vice president of Willis Health Care Practice, expressed concern over the impact on hospitals of changes in healthcare financing.

“Talk of replacing the ACA creates tremendous uncertainties for hospitals, which are dependent on Medicare and especially Medicaid,” he said, adding that any reduction in public funding might force health care providers to redouble “zealous collection efforts” of co-payments and deductibles.

Surveys show that the public is generally supportive of hospitals and health care providers, especially those with a local focus, Greve said. “Will that [public support] go away if
“patient relations” become all big business?” he asked.

“I worry about erosion of community goodwill and its potential impact on motivation to sue and on juries.”

One of Greve’s co-panelists cited another, lesser-known, aspect of healthcare financing that medical professionals and their liability insurers may want to consider.

Leslie Jenny, managing attorney for the Cleveland-base Marshall, Dennehy, Warner, Coleman & Goggin, told attendees that the individual mandate that is in Obamacare but not in the AHCA can be used in medical professional defense to limit the amount of damages a health care professional or insurer must pay.

The reason, she said, is because the “collateral source rule” in civil litigation can prevent a defendant from benefitting from any other source of recovery a plaintiff has “negotiated” to acquire. If health insurance is mandated by law, however, she said there is a possibility in some states of claiming it is not a negotiated benefit and potentially reducing damages to reflect what the plaintiff has had covered or reimbursed by a policy.

“Without an individual mandate,” Jenny said, “I don’t think we can make an argument that a federal law applies across the board to reduce damages.”

Tort Reform Prospects
On the plus side for MPL insureds and carriers, another panelist said that prospects for federal tort reforms favoring defendants are greatly improved with Republican control of the White House and Congress.

“This is the best environment for medical professional liability reform in a decade” said Michael Stinson, vice president of governmental relations and public policy for the PIAA, formerly the Physician Insurers Association of America. “Congress is focused on medical liability reform for the first time in a long time and making it a priority.”

Apart from drawing its usual support among most Republicans, combining malpractice reforms with other healthcare initiatives may draw support from other s in Congress including a few not always supportive of malpractice reform, according to Stinson.

As for President Trump himself, Stinson confessed to initial uncertainty among tort reform advocates for a man who was “never shy about using the legal system,” but was reassured when the president explicitly called for medical liability reform in his Feb. 28th address to Congress.

The principal Republican malpractice reform initiative is the Protecting Access to Care Act (PACA), introduced by Rep. Steven King (R-Iowa), which would establish statutes of limitations, limitations on contingency fees, and other measures in connection with the awarding of federal funds.

The connection to federal funding, as opposed to superseding state law, is designed to overcome objections of “states’ rights” proponents who balk at federal pre-emption of state law, Stinson noted.

Yet, even with the stars seemingly aligned, Stinson said he only expects modest reforms, “nothing dramatic,” at least in the short term.

Republican Plan: Lower Premiums for Some, but Less Coverage
Source: Guy Boulton, Milwaukee Journal Sentinel

Supporters contend that the American Health Care Act proposed by Republicans overall would lower the cost of health insurance sold directly to individuals and families.

They usually don’t mention the reason: The health plans on average would have higher deductibles and provide less coverage.
That’s partly how five executives with health insurance companies — four based in Wisconsin and one that does business in the state — see the market for insurance eventually evolving under the proposed Republican plan.

“There's this promise that insurance is going to be less expensive,” said Cathy Mahaffey, chief executive officer of Common Ground Healthcare Cooperative in Brookfield. “How is that going to be accomplished?”

Insurance companies will lower premiums, she said, by providing less coverage.

“That’s the method we always have used,” Mahaffey said.

The cost would be less because people will be buying less insurance, and that’s not the same as lowering the actual cost of insurance, she said.

“If we want to reduce the cost of insurance,” she said, “we’ve got to start talking about the cost of medical care.”

The proposed Republican plan also could lower premiums because fewer older people, who have higher medical bills, would buy health insurance, the insurers said.

The plan would allow health insurers to charge older people up to five times more than younger people as opposed to the current cap of three times under the Affordable Care Act.

For the complete article, please click here.

Survey: Risk Management Not Keeping Up with Escalating Risks
Source: North Carolina State University

Most executives see risks increasing in both number and complexity — but those same executives say their organizations’ risk management efforts may not be staying abreast of those risks.


In a survey of 432 chief financial officers and other senior executives, nearly 70 percent of large, public, and financial service company respondents reported that the risks they face are increasingly complex and numerous compared to five years ago. At the same time, less than 50 percent of those organizations — and only 25 percent of all respondents — described their risk management processes as mature or robust.

“What this study reveals is that there is a huge disconnect between corporate challenges and how organizations are responding to them,” said Mark Beasley, co-author of the report, director of the ERM Initiative and the Deloitte Professor of Enterprise Risk Management in N.C. State’s Poole College of Management.

This disconnect may stem from the fact that only 25 percent of survey respondents felt they had effectively integrated risk management into their strategic planning.

“If risk management isn’t advancing strategic goals, it’s hard to show its value,” Beasley said. “And that means risk management can easily slip down an organization’s list of priorities.”

Risk Executives
The lack of executive leadership positions focused specifically on risk may also be a factor.

According to the report, only 42 percent of respondents said their organizations have a designated chief risk officer (CRO) or equivalent senior risk executive. This figure is an increase of 10 percentage points over 2015 and 2014, showing that organizations are moving towards strengthening risk leadership. The study cites growing cyber security threats and global events such as Brexit and the U.S. presidential election as possible explanations for the noticeable increase in CRO designations.
The report also found that pressure is increasing for business leaders to embrace a more direct role in risk oversight. Sixty-seven percent of respondents report that their board members are calling for increased senior executive involvement in risk oversight.

“This report tells us that there is a significant need for enterprise risk management given the complexity of the risks businesses are facing—and that boards of directors are calling for it,” said Ash Noah, CPA, CGMA, vice president of CGMA external relations at the AICPA. “Organizations that fail to adapt and implement a big-picture approach to risk may be setting themselves up for failure.”

According to Beasley, enterprise risk management (ERM) can be a valuable tool because it calls for executive leadership to look at all of the potential risks an organization may face and develop plans to address those risks from the top down.

“All organizations engage in risk management, but conventional risk management is done in silos—the sales group handles sales risks, the manufacturing group handles production risks, and so on,” Beasley said. But, he said, this approach can be problematic. For example, one group may take steps to limit risk in its area that inadvertently create risks for another area—such as implementing new IT security protocols that may affect software used by the sales group.

“The ERM approach allows for a holistic overview of risks across silos,” Beasley said. “Perhaps more importantly, ERM allows executive leadership to identify and address risks that are relevant to an organization’s strategic goals; something that executive leadership is ideally suited to address.”