

Insurance Issues

Insurance remains bedrock of economy despite challenges of doing business.

INSURERS DEFEND 2007 PROFITS

In a strong reaction to a Consumer Federation of America (CFA) report, insurers challenged findings that claimed the industry has made excessive profits.

The consumer watchdog organization charged that over the past four years, insurers have overcharged consumers an average of \$870 per household. According to the Insurance Information Institute, the CFA report is flawed because it includes data from workman's compen-

sation and other government-run programs that insurers sell but do not price. Including those tools artificially inflates the data.

Industry groups strongly criticized the CFA claims, noting that insurers earned an average return of only 7.6 percent between 1997 and 2006. Fortune 500 companies earned an average return of 13.6 percent during that period.

The Insurance Information Institute also noted that insurers are protecting more cars, homes and businesses than at any time in U.S. history.

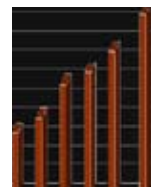
HOW INSURANCE SUPPORTS THE ECONOMY

The insurance industry, one of the nation's largest, contributes more than \$250 billion to the nation's gross

domestic product. In 2005, insurers paid almost \$15 billion in taxes, or 2.3 percent of all taxes collected by the states.

Insurers also provide 2.3 million jobs or 2.1 percent of U.S. employment.

HOW FIRM A FOUNDATION



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CONSUMER COMPLAINTS DECREASE

Recent surveys indicate a continuing decrease in insurance complaints for the fourth consecutive year according to data released by the National Association of Insurance Commissioners (NAIC). However, the complaints that were filed tended to be on the same topics as in past years.

What are those areas attracting consumer complaints?

Top five types of complaints in 2007:

- Delays — 16 percent of all complaints
- Denial of Claim — 14.7 percent of all complaints
- Unsatisfactory Settlement — 9.8 percent of all complaints
- Cancellation — 4.6 percent of all complaints
- Premium and Rating — 4.4 percent of all complaints

JUDGE SIDES WITH STATE ON \$2.4B CLEANUP PLAN

Three paint manufacturers lost their bid to get a \$2.4 billion clean-up plan reversed in a Rhode Island Superior Court case heard in January. The judge refused to strike down a state plan that would require the former lead paint manufacturers to fund the clean-up of roughly a quarter-million homes.

The companies — Sherwin-Williams Co., NL Industries, Inc. and Millennium Holdings LLC — have called the proposal legally flawed and unconstitutional. But Judge Michael Silverstein rejected the request to reject parts or all of the plan.

Two public health experts will review the plan before it comes back in May.

The clean-up proposal would take four years and involve 10,000 workers who would remove lead paint from homes built before 1980 as well as elementary schools and child care centers.



SOUTHERN CAL. WILDFIRE LOSSES TOTAL \$2B

Last fall's wildfires in Southern California totally destroyed

1,531 homes. Those homes and the 37,117 other claims that have been filed give insurers an estimated exposure of \$2.26 billion for the disaster.

Insurers have already paid out more than \$1.26 billion according to the Cal. Dept. of Insurance.

TORNADOES TEAR UP MID-SOUTH

A collection of more than 70 tornadoes went on a rampage through the

Mid-South on February 7th. The storms struck Kentucky, Arkansas, Missouri, Mississippi and Tennessee — the hardest-hit state. There were also reports of softball-sized hail (4.25 inches).

MARKETING & MANAGEMENT

BUILD ON MISTAKES.

KNOW THE DIFFERENCE BETWEEN GOOD MISTAKES (STRONG EFFORT, BAD RESULT) AND BAD MISTAKES (SLOPPY EFFORT, BAD RESULT).

ZIG ZIGLAR

MAXIMIZE MEDIA HITS

One of the best ways to get publicity is to be quoted in the media. Reporters are always looking for people to comment on some

aspect of a current issue in the community. You can establish yourself as the go-to person for reporters if you follow a few guidelines.

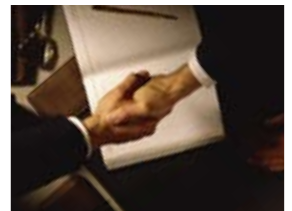
First, respond to queries as quickly as possible. You want to be the first person the reporter talks with. You'll seem more informative if you answer the reporter's question before he or she has already talked with three other people in your field. Second, be prepared. Anticipate what a reporter might ask. Suppose you get a message that a reporter wants to talk with you about a new trend in putting metal roofs on houses. Make notes on three to five interesting points you could make.

What are the advantages of metal roofs? What impact would the change have on

insurance premiums? How do metal roofs compare with other types?

Third, have examples readily available. Examples and specifics are what gets you quoted. It is hard to remember facts on the fly and so while you are jotting down your points, note some examples with names, dates or other specifics.

Finally, turn down an interview if it is not in your area of expertise. You'll win favor with a reporter if you can refer him or her to someone else with more expertise.



CUSTOMER CONTACTS EQUAL REFERRALS AND REVENUE.

COURT TO HEAR ASBESTOS SUIT

The Tennessee Supreme Court has agreed to hear arguments on whether Alcoa Inc. is responsible for the asbestos-related death of a former worker's daughter.

Amanda Satterfield died of asbestos-related cancer in 2005 at the age of 25. Her father, who hauled asbestos for Alcoa for more than 20



years, has carried on the suit brought by his daughter two years ago. The lawsuit seeks \$10 million in compensatory and \$1 million in punitive damages. Satterfield claims that his daughter got the cancer from the inadvertent introduction of asbestos fibers and dust on his clothes. The case centers on the question of whether a company has responsibility for outside people who are exposed to harmful agents from its facilities. Alcoa attorneys claimed a ruling in Satterfield's favor would create "an infinite universe of potential plaintiffs." The court should issue its written opinion in April.

Cal. Governor proposes policy tax
In an effort to look far and wide for sources of revenue, Cal. Governor Arnold Schwarzenegger proposed a 1.25 percent tax on homeowners and business property insurance policies. The proposal has met with stiff opposition from consumer groups who say that homeowners should not bear the burden of filling the state's budget gap.

CALIFORNIA GOVERNOR PROPOSES INSURANCE POLICY TAX

Do what you feel in your heart to be right -- for you will be criticized anyway.

Eleanor Roosevelt

BUILD ON THESE MARKETING BASICS

Do not become complacent thinking that you have captured a market or a demographic group.

Create a calendar. Plan messages appropriate for certain times of the year.

Remember that the **follow-up is what gets you the sale.**

Stay in touch with customers on a regular basis so they will not forget you.

Watch your competitors.



EFFECTIVE USE OF VOICE MAIL

Most people don't realize that voice mail was originally developed to take the place of the secretary. A generation ago, every manager had a secretary to handle calls. Technology has eliminated that need and transformed the secretary's job into a broader role of administrative assistant.

Meanwhile, business people have thought little about how to use voice mail appropriately according to the website manager-tools.com.

The purpose of voice mail is to move the conversation forward.

Podcaster Mark Horstman says you would never send an email that reads "Got your email; email me." Voice mail operates on the same principle.

Never leave a voice mail saying "Got your message; call me." That message implies that you do not want to talk with the other person except when it suits your schedule. Furthermore, you are creating an obligation for the recipient without an appropriate understanding.

Leave voice messages that include information such as asking questions or making recommendations.

BLOGS GROWING LIKE WEEDS

Blogs — a term for weblogs — are becoming a new marketing tool for businesses because of their vast popularity. In December 2007, the blog search engine Technorati was tracking more than 112 million blogs.

BUSH BUDGET SUPPORTS HURRICANE RESEARCH

The 2008 budget President Bush has proposed includes \$11 million in additional funding to improve hurricane forecasts.

Although the hurricane funding is only a small portion of the \$4.1 billion budget for the National Oceanic and Atmospheric Administration (NOAA), the funding will boost the agency's ability to warn the public about dangerous developments in storms.



HURRICANE RISKS DOMINATE EAST COAST INSURANCE DEVELOPMENTS

While policy-makers debated solutions to the scarcity of property insurance along the eastern seaboard, insurers went about their business of accessing risks and adjusting rates. Insurers have placed additional requirements on homeowners to make adjustments to homes in order to minimize storm damage. Connecticut coastal home owners were told they had to install storm shutters. Most states strengthened building codes.

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In many cases, insurers have dropped their policyholders along the coast or required policyholders to carry other types of insurance with the company before offering homeowner policies. Maryland lawmakers considered requiring insurers writing anywhere in the state to write in all areas — a measure that was eventually rejected.

The Massachusetts FAIR Plan, which insures about \$700 billion worth of coastal properties, requested a 25 percent rate increase for Cape Cod home insurance premiums. Insurers in most Atlantic and New England states expanded their definitions of hurricane risk areas to encompass homes miles from the coast.

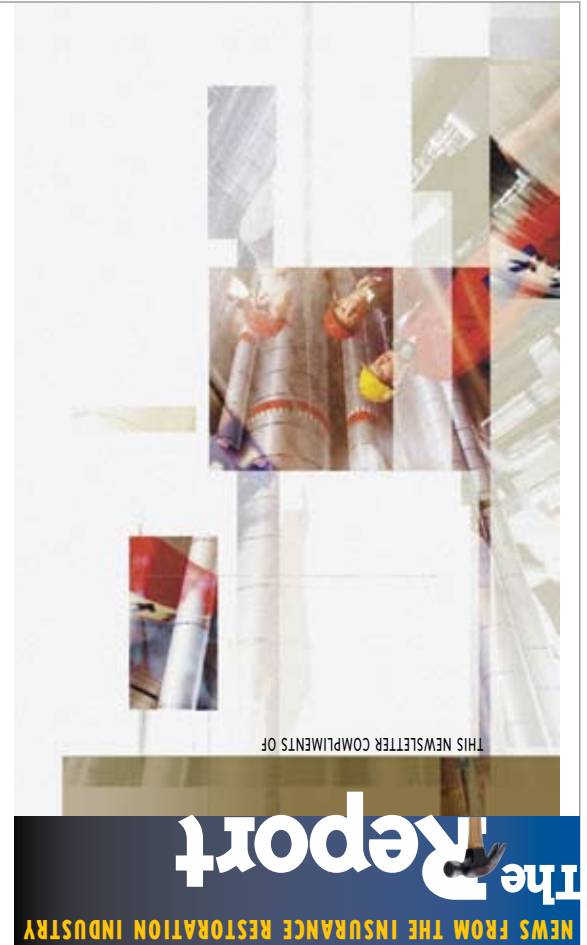
AGENCY PUSHING FOR NON-FLAMMABLE FURNITURE TO SAVE LIVES

The Consumer Product Safety Commission (CPSA) is proposing that all home furnishings sold in the U.S. be nonflammable. That would require upholstered furniture to be smolder- and flame-resistant.

According to the CPSA, upholstered furniture fires cost the U.S. about \$1.6 billion each year. About 100 deaths and 130 injuries can be attributed to these fires.

The proposal, now in a public comment period, will then be finalized with language on how products can be tested for flammability standards.

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