

ACSR Newsletter

“Reaching Out, Communicating, Knowledge”



INDEPENDENT INSURANCE AGENTS OF VIRGINIA

Supreme Court Upholds ACA Subsidies

On Thursday, June 25, in a 6-3 decision, the Supreme Court ruled to uphold health insurance subsidies for 6.4 million Americans spread across 34 states. The ruling means that those who have purchased their health insurance through the federal exchange will see no change in the subsidies they receive from the federal government.

In the case, King v. Burwell, the plaintiffs unsuccessfully argued that consumers could only obtain subsidies through exchanges run by a state and, therefore, individuals living in the 34 states that did not establish a state exchange and are instead relying on the federal exchange for coverage are not eligible to receive subsidies. The basis for the plaintiffs’ argument was a section of the Affordable Care Act (ACA) that mandates subsidies be available to offset the cost of health care to those who have purchased health care in an exchange “established by the state.”

On the other side, the Obama Administration successfully argued that the term “established by the state” was a drafting error and that the writers of the ACA never meant to prevent Americans from buying insurance through the federal exchange.

Although the Court’s ruling maintains the status quo regarding health insurance subsidies, the Big “I” believes the ACA remains a fundamentally flawed law with plenty of room for improvement. In fact, just yesterday, Sens. Johnny Isakson (R-Georgia) and Chris Coons (D-Delaware) introduced Big “I”-supported bipartisan legislation, S. 1661, the “[Access to Independent Health Insurance Advisors Act](#),” which aims to exclude agent commissions from the Medical Loss Ratio formula.

In addition, the association is joining others in the industry in fighting the ACA’s excise tax or “Cadillac tax” in a strategic series of efforts aimed at protecting the independent agency system, insurance consumers and small businesses from the harmful tax hike. In the U.S. House of Representatives, Rep. Frank Guinta (R-New Hampshire) introduced H.R. 879, the “[Ax the Tax on Middle Class Americans Health Plans Act of 2015](#),” which would fully repeal the tax. In addition, Rep. Joe Courtney (D-Connecticut) introduced H.R. 2050, the “[Middle Class Health Benefits Tax Repeal Act](#).” With more than 100 cosponsors, this legislation would also repeal the tax. Efforts are underway in the Senate for companion legislation.

Although the Supreme Court ruled today to maintain the status quo regarding ACA subsidies, the Big “I” will continue to work with others in the market as well as both parties in Congress and the Administration to fix some of the law’s major flaws.

Wyatt Stewart is Big “I” director of federal government affairs.

ACSR Newsletter

June 2015

Upcoming Events:

- July 3: Independence Day observed
- July 4: Independence Day
- July 13: Lailat al Qadr
- July 16: [Roanoke Social](#)
- July 18: Eid al-Fitr
- July 26: Tisha B’Av
- July 26: Parents’ Day
- August 6: [Richmond Social](#)

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How to Insure a Condo Owned by an LLC

By: Mike Edwards

Q. “I’d like your thoughts on how to write a condominium unit which is owned by an LLC. I occasionally see homes and condo units held in a Personal Trust, but this is the first one I’ve seen where a home or condo unit is owned by an LLC. I don’t have all the information on this account yet, so I haven’t approached any markets as of now. While I’m waiting on the remaining underwriting information to come in, I wanted to get an idea of how to handle this. For example, would this type of exposure be written with an HO-6 Unit–Owners Form, or with a Dwelling Form? Is there a Dwelling Form equivalent of the HO-6?”

A. I think this is going to be one of those proverbial “round peg-square hole” situations, which seem to pop up now and then. As a colleague of mine often says, “Writing an insurance account is like opening a box of Cracker Jacks – there’s a surprise in every box.”

I think the Dwelling Program will be the most likely way you end up writing this condo unit owned by a Limited Liability Company (LLC), so here are some key points that I hope will help.

The coverage forms. Condo units are generally written with either the Basic Form DP 00 01, or the Broad Form DP 00 02. The Special Form DP 00 03 is not customarily used on condos, but I’ve been told that some markets use that form for condos.

Endorsements. Keeping in mind that the Dwelling Program is not an indivisible package of coverages like the Homeowners Program, each coverage part (Coverage A, B, C, D, and E) of the Dwelling Program can be written separately.

Building items. In lieu of writing Coverage A, which does not adequately describe the types of building property appropriate to the condominium exposure, the Unit-Owners Coverage DP 17 66 or DP 1767 is used.

Personal Property. If coverage for personal property is desired, a specific limit of coverage is shown in the Declarations.

Perils. If the Broad Form DP 00 02 is used, the perils which apply to building items and personal property are the 16 Named Perils. Attachment of DP 04 65 Special Coverage endorsement provides “open perils” (often referred to as “all-risk”) coverage for unit owners building items (as described in the DP 17 66 or DP 1767 endorsement). If Coverage C is provided, that property is still subject to Named Perils.

Loss of rents and/or additional living expenses. A limit of insurance for either of these coverages must be scheduled on the policy.

Loss assessment – Property. In the event of a property assessment by the condo association, coverage can be provided with endorsement DP 04 63 Loss Assessment Property Coverage. A limit of loss assessment coverage must be scheduled on the policy.

Liability/Medical Payments. Endorsement DL 24 01 Personal Liability provides coverage similar to Section II of the Homeowners Policy. The DP 24 03 Personal Liability Schedule is also added, as a way to show the limits of insurance and other information.

Loss assessment – Liability. In the event of a liability assessment by the condo association, coverage can be provided with endorsement DL 24 14 Loss Assessment Liability Coverage. A limit of loss assessment coverage must be scheduled on the policy.

Case study example #1. Assume Jack and Jill Smith (husband and wife), after consultation with their accountant and attorney, form JJS, LLC, in order to purchase a condo unit on the lake. The condo will be their primary residence, and neither they, nor the LLC, own any other residential locations. In My Perfect Insurance World (MPIW), here is how coverage would be written.

Named insured. The named insured would be JJS,LLC. I'm an insurance nerd and not an attorney, but it is my understanding that the LLC is the sole owner of the condo unit, and therefore, should be the only named insured. What coverage does that give Jack and Jill personally? Very little, but in MPIW, business interests and personal interests should be written separately, as much as possible. Therefore, the LLC, and Jack & Jill, would each have their own insurance.

The LLC needs adequate coverage on the building items, any personal property owned by the LLC, property loss assessment, premises liability coverage, and liability loss assessment.

Jack and Jill could get their personal exposures covered with an HO-4. Their exposures arising out their legal relationship with, or ownership of, JJS, LLC, would need to be handled with commercial insurance, in my view.

For example, JJS, LLC should have a CGL or BOP in place, even if it is the named insured on the Dwelling Form, since the LLC potentially has other exposures. Under an ISO CGL or BOP, "members" of an LLC (Jack and Jill) are insureds "with respect to the conduct of your (JJS, LLC) business."

Variations. Some insurers write the Dwelling Policy in the name of the LLC and at least one (or more) of the members of the LLC, especially where the LLC is made up of family members, and there is no active business exposure. In MPIW, that's OK, but I would still prefer that Jack and Jill purchase an HO-4, which will provide them with far better coverages and options than relying solely on a Dwelling Form.

Other insurers will issue an HO-6, which is specifically designed for the condo exposure. Some will name the LLC as the named insured, while others name Jack and Jill as named insureds, and then list the LLC as an Additional Insured. I'm OK with the latter.

Case study example #2. Assume that the condo is not Jack and Jill's primary residence. Under any variation using the Dwelling Program (see above), I would want Jack and Jill to extend as much coverage as possible (property and liability) from the Homeowners Policy on their primary residence.

One potential gap is Additional Living Expense (ALE). Under the ISO Homeowners Policy, ALE applies if there is covered damage to the "residence premises," which is their main residence, and not the condo. ISO offers no option to extend ALE to apply to another residence.

Under the Dwelling Form, coverage for ALE can be purchased. However, if the named insured is the LLC only, I'm not sure that Jack and Jill would have any coverage, since ALE applies to "any necessary increase in living expenses incurred by you so that your household can maintain its normal standard of living." In the Dwelling and Homeowners Forms, "you" is defined as the named insured and resident spouse.

For this and other potential gaps, I think Jack and Jill should purchase an HO-4.

Case study example #3. In addition to the condo at the lake, JJS, LLC owns two other condo units in another part of the state, all 3 of which are rented full time. In addition, JJS, LLC owns 550 acres of timber, plus 4 residential lots available for development.

Needless to say, this is a commercial exposure. Assuming the underwriter is aware of the extent of the LLC's holdings, the insurer might still write the property coverage for the condo on the lake with a Dwelling Form, but would in all likelihood not provide any liability coverage.

Getting the Big Picture. All of the examples above are from real situations. Therefore, my first recommendation would be to get a clear understanding of all the holdings of the LLC. In addition, the underwriter will probably want to know the members, or at least their relationship (family or not, for example). From an E&O standpoint (but not speaking as an E&O attorney myself), I'm not sure you have a duty to track down all the potential tentacles of JJS, LLC's holdings and operations, if they only ask you to insure this single condo unit. However, that duty might change, if the agency is found to have a "special relationship" with Jack and Jill, which has developed from handling their insurance for years, including which you provided both coverage and advice

But E&O aside, I think it would be a part of the agency's professional (and pragmatic) business practice to obtain a good understanding of each and every account that is written.

Last Updated: May 26, 2015

ACSR Newsletter

UPDATES AND UPCOMING EVENTS



Upcoming Summer Socials

IIAV Young Agents' Committee is hosting free networking socials throughout Virginia and hopes you will be able to attend. This year we have teamed up with the young professional groups at the Virginia Society of CPAs (VSCPA), Virginia Bar Association and Virginia Bankers Association for some of these socials.

Come out for a casual get together and bring your family and friends.

- **Roanoke:**
[July 16, 2015 \(5:30-7:30\) - Soaring Ridge Craft Brewery](#)
- **Richmond:**
[Aug. 6, 2015 \(5:30-7:30\) - Casa Del Barco](#) *
[Feb. 4, 2016 \(5:30-7:30\) - Tobacco Company](#) *
- **Virginia Beach:**
[Aug. 27, 2015 \(5:30-7:30\) - Yard House](#) *
- **McLean:**
[Sept. 3, 2015 \(5:30-7:30\) - Gordon Biersch](#) *
- **Williamsburg:**
[Sept. 17 \(5:30-7:30\) - Dog Street Pub](#)

* *These are joint networking events between the Virginia Society of CPAs (VSCPA), Virginia Bar Association and Virginia Bankers Association.*

Thank you to our sponsors: JSA, Loudoun Mutual, Progressive, and State Auto

If you have any questions please contact Kristina Preisner, kpreisner@iiv.com.

VAIA Offering Free Pre-Licensing Classes to U.S. Veterans

Virginia Association of Insurance Agents (VAIA) is now offering free pre-licensing insurance training classes for veterans and their spouses. Classes are regularly scheduled in Chesapeake, Manassas and Richmond, and are taught by industry professionals.

This insurance training program is done in a three or four day format depending on the city. After completing this class students are prepared to sit for their Virginia insurance license exam. Upon completion and after passing the licensing exam, students are able to apply for a number of different positions: producers/sales professionals, account managers or customer service professionals. Students may also find that this training provides a good background for insurance industry positions that do not require a license.

VAIA is a 501(c)(3) non-profit education foundation that provides insurance education and training programs to facilitate insurance literacy and awareness of career opportunities. Hundreds of people have taken VAIA pre-licensing classes and have successfully landed great industry careers. Additional information on this program is available through VAIA by calling 804-747-9300 or going to www.vaia.info.

[Click here for more information on the Veterans Program.](#)

IIABA Data Breach Webinar on July 15

Join IIABA on July 15 from 1:00-4:00 pm for "Data Breach, The New Wild West? Cyber Risk Exposures & Insurance".

In 2014, the number of data breaches was widely publicized including online fraud, identity theft and data breach. Criminal hackers are no longer 'thrill seekers', but professional computer experts mostly located outside of the United States. Very few insurance producers have even basic knowledge of the problems and possible solutions. This leaves them unable to discuss with consumers what steps including risk management and insurance coverages need to be pursued.

This webinar will explain first and third party exposures to various cyber risks. It will also review the lack of insurance coverages in current CGL and property policies and the emerging markets for this coverage.

[Click here to register.](#)

Education....Continuing Your Road to Success

Upcoming Classes

Chesapeake 1 - Homewood Suites-1569 Crossways Blvd. (23320)

[Sept. 22 \(9:00-4:00\): E&O: Challenge of Change](#)-Course # 208589 (6 OGI) \$105/\$135 **
[Sept. 24 \(9:00-4:00\):ACSR Mod 3: Personal Lines](#)-Course # 208287 (6 P&C) \$105/\$135

Chesapeake 2 - Chubb Insurance - 600 Independence Pkwy. (23320)

[August 24-27 \(8:30-4:30\): Property & Casualty Pre-Licensing](#) (NA) \$300

Manassas 1 - Hampton Inn - 7295 Williamson Blvd. (20109)

[Sept. 24 \(9:00-4:00\):ACSR Mod 3: Personal Lines](#)-Course # 208287 (6 P&C) \$105/\$135

Manassas 2-NOVA Com. College: Innovation Park-9485 Innovation Dr. (20110)

[July 27-29 \(9:00-6:00\): Property & Casualty Pre-Licensing](#) (NA) \$300
[Sept. 21-23 \(9:00-6:00\): Property & Casualty Pre-Licensing](#) (NA) \$300
[Sept. 28-29 \(9:00-6:00\): Life Pre-Licensing](#) (NA) \$300
[Sept. 30 \(9:00-6:00\): Health Pre-Licensing](#) (NA) \$300

Richmond - IIAV – 8600 Mayland Dr. (23294)

[July 27-30 \(8:30-4:30\): Property & Casualty Pre-Licensing](#) (NA) \$300
[August 20 \(8:30-5:00\): AAI 82 B Commercial Lines](#)-Course # 208361
[August 24-27 \(8:30-4:30\): Property & Casualty Pre-Licensing](#) (NA) \$300
[Sept. 3 \(8:30-4:30\): CRIS Reaccreditation – Design Build Risk](#) (7 P&C) \$135/\$175
[Sept. 16 \(9:00-4:00\): ACSR Mod 3-Pers. Lines Cvgs.](#)-Course # 208287 (6 P&C) \$105/\$135
[Sept. 17 \(8:30-5:00\): AAI 82 C Specialized Ins. & Bonds](#)-Course # 208362 (8 P&C) \$165/\$215
[Sept. 22 \(8:30-5:00\): CRIS Auto, Surety, & CIPS](#)-Course # 208213 (8 P&C) \$150/\$195
[Sept. 28-Oct. 1 \(8:30-4:30\): Property & Casualty Pre-Licensing](#) (NA) \$300

Roanoke - Roanoke Higher Education Center – 108 N. Jefferson St. (24016)

[Aug. 20 \(9:00-4:00\): ACSR Mod 3-Pers. Lines Related](#)-Course # 208287 (6 P&C) \$105/\$135
[Sept. 24 \(9:00-4:00\): ACSR Mod 7-Comm. Liability](#)-Course # 208292 (6 P&C) \$105/\$135

Warsaw

[Sept. 23 \(8:30-10:30\): Common Problems Found During Agent Investigations](#)-Course # 208276 (2 L&R) \$30/\$40
[Sept. 23 \(10:30-12:30\): VA WC Ins. Training for Ins. Agents](#)-Course # 205742 (2 L&R) \$30/\$40
[Sept. 23 \(1:00-3:00\): 2015 Laws & Regs](#)-Course # 212451 (2 L&R) \$30/\$40
[Sept. 23 \(3:00-5:00\): Ethics 101](#)-Course # 208911 (2 Ethics) \$30/\$40

Webinars (Computer and phone required, no exam)

[July 8 \(3:00-4:00\): Biggest Homeowners Ins. Change in 40 Years Explained](#) (NA) Free
[July 14 & 15 \(9:00-12:00\): E&O: Challenge of Change](#)-Course # 208589 \$105/\$135 **
[July 15 \(1:00-4:00\): Data Breach, The New Wild West: Cyber Risk Exposures & Ins](#) \$79
[July 20 \(9:30-10:30\): Debris Removal: The Hidden Jewel](#)-Course # 212026 (1 P&C) \$25/\$35
[July 22 & 23 \(9:00-12:00\): ACSR Mod 2-Personal Auto](#)-Course # 208286 (6 P&C) \$105/\$135
[July 24 \(9:30-10:30\): Employee Theft -Who is an Employee?](#)-Course # 208480 (1 P&C) \$25/\$35
[Aug. 3 \(9:30-10:30\): Insuring Motorized Toys](#)-Course # 208553 (1 P&C) \$25/\$35
[Aug. 7 \(9:30-10:30\): Homeowners: Liquor & Divorce](#)-Course #208552 (1 P&C) \$25/\$35
[Aug.17 \(9:30-10:30\): Garage Policy vs. Business Auto & CGL](#)-Course #208552 (1 P&C) \$25/\$35
[Aug.18 & 19 \(9:00-12:00\): E&O: Challenge of Change](#)-Course # 208589 (6 OGI) \$105/\$135 **
[Aug. 25 \(9:30-11:30\): 2015 Laws & Regs](#)-Course # 212451 (2 L&R) \$40/\$55
[Aug. 26 \(1:00-4:00\): Emerging Personal Lines Issues](#)-Course # 213267 (3 P&C) \$79
[Sept. 3 \(9:00-12:00\): Flood Basic Course: FEMA Approved](#)-Course # 208545 (3 L&R) \$55/\$70
[Sept. 14 \(11:30-12:30\): Selecting Commercial Prop. Limits](#)-Course # 209996 (1 P&C) \$25/\$35
[Sept. 15 & 16 \(1:00-4:00\): ACSR Mod 8: Commercial Auto](#)-Course # 208293 (6 P&C) \$105/\$135
[Sept. 16 & 17 \(9:00-12:00\): E&O: Challenge of Change](#)-Course # 208589 (6 OGI) \$105/\$135 **
[Sept. 18 \(9:30-10:30\): Resident Relatives, Are They Covered](#)-Course # 208481 (1 P&C) \$25/\$35
[Sept. 25 \(9:30-10:30\): Blanket Ins. Coverage vs. Specific](#)-Course # 209995 (1 P&C) \$25/\$35

[Click here for the full list of classes.](#)

** This class may qualify your agency for a loss control credit through IIAV's Westport and Fireman's Fund E&O programs.

ABEN Webcasts

[July 17 \(11:00-12:00\): IRA Fundamentals & Small Business Retirement Plans](#)
Course # 210953 (1 VA L&H) \$24/\$34

[July 17 \(1:00-2:00\) Annuity Basics & Where They Fit](#)
Course # 210954 (1 VA L&H) \$24/\$34

[July 21 \(11:00-1:00\): ACSR Mod 5: Professional Development & Account Mgmt-Pt. 1](#)
(NA) \$36

[July 23 \(11:00-1:00\): ACSR Mod 5: Professional Development & Account Mgmt-Pt. 2](#)
(NA) \$36

[Aug. 12 \(11:00-1:00\): ACSR Mod 5:Prof. Development & Account Mgmt. – Pt. 1](#)
(NA) \$48/\$68

[Aug. 14 \(11:00-1:00\): ACSR Mod 5:Prof. Development & Account Mgmt. – Pt. 2](#) (NA) \$48/\$68

[Aug. 20 \(11:00-12:00\): IRA Fundamentals & Small Bus. Retirement Plans](#)-Course # 210953 (1 L&H) \$24/\$34

[Aug. 20 \(12:00-1:00\): Annuity Basics & Where They Fit](#)-Course # 210954 (1 L&H) \$24/\$34

Designation Programs

Here are the designation programs that IIAV will be offering in 2015 to help you meet your educational and career goals.

- Accredited Advisor in Insurance (AAI)
- Accredited Customer Service Representative (ACSR)
- Agribusiness & Farm Insurance Specialist (AFIS)
- Associate in Insurance Account Management (AIAM)
- Associate in Insurance Supervisory Management (AISM)
- Construction Risk and Insurance Specialist (CRIS)
- Management Liability Insurance Specialist (MLIS)

[Click here to find out dates and pricing for these designations](#)

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Fax: 804-747-6557
Website: www.iiav.com



IIAV Services:

- **Find a Market:**
Find the coverage you need for your client
- **Criminal Background Checks:**
Completed in 3-5 days rather than 6 weeks.
- **Career Center:**
Find your next great hire or intern.
- **Virtual University:**
Articles relating to insurance, business, technology and more.

These services and more can be found at www.iiav.com

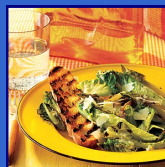
Take A Moment To Relax:

Random Facts for Your Next Conversation

Here are a few interesting facts for the next time you are at a dinner party .

1. Horses have the largest eyes of any mammal that lives on land.
2. The oldest star is nicknamed Methuselah.
3. The color you see in a pitch-black room is called eigengrau.
4. While sleeping, sea otters hold hands so they don't drift away from one another.
5. Cats can be allergic to humans.

Recipe of the Month



Grilled Caesar Salad

Something new for the grill.

[Click here to view!](#)

Quote of the Month

“Always be a first rate version of yourself, instead of a second-rate version of somebody else. ”

~ Judy Garland, American singer and actress