Idaho GEMS

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Independent Insurance Agent

www.iiabi.org

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Member Benefit

Listen to a short intro from Brandie Hinen, founder and CEO of PowerHouse, and her associate, Bill Atkins -an old friend to Idaho agents.

Want to IMPLEMENT POSITIVE CHANGE in your organization? Then look at **Powerhouse Learning. The PH team** will help you launch a very different kind of change initiative – increasing your agency value, accountability and productivity. Their **Implementation Program** includes a combination of ***on-line*** and ***one-on-one coaching*** with your leadership, sales and service teams – an all inclusive approach to enhance communication, systems, processes and vision. They will help you advance your entire business culture!

This could be a fantastic positive change for your agency! ***As a Big "I" Idaho endorsed provider, Powerhouse will discount their coaching/clinic fees for members.***

We featured a complimentary introductory webinar February 23. If you were able to tune in, let us know what you thought. ***The next webinars specific to Sales & Leadership are scheduled for Wednesday, March 2.*** PowerHouse is offering these tutorials at an unbelievably nominal fee; many will include CE. Take time to investigate their enhanced laser training and coaching.

Member Benefit

401(k) Plan Sponsors are facing increased risks, so IIABA created a member-only MEP (Multiple Employer Plan) and participation is catching on. Using a MEP enables like businesses to form a single retirement plan for all sponsors and avoid potential risks. Look deeper in this Gems for more information.

Executive Secretary-Treasurer
wendy.tippetts@iiabi.org

Rodeo Roundup
of Education, Networking & Fun

Corralling the Millennials
so the Baby-Boomers can Ride into the Sunset

Pull out those boots and kick it up a notch by hitting the trail to the Coeur d'Alene Resort. The 92nd Annual Roundup of Independent Agents will wake up North Idaho August 21-24. We'll have a saddle bag full of information once we solidify the details; for now, click here to reserve your campsite.

Incidentally, Convention Chair Jeff Morris' wife, Sarah, will be competing in IRONMAN in CdA – taking place right about the same time as our conference. Another reason why you need to grab your room before someone else does. Our reservations rep will make every attempt to apply our discounted room rate for Big "I" guests if you plan to arrive earlier than Sunday 8/21 - but you'll have to book quickly.

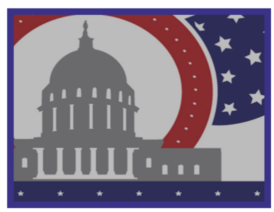
Kudos to members Elevating Dues

American Insurance
Harman Agency, LLC
Debbie Lattin Insurance
All About Insurance Inc
Hruza Insurance Agency

E&O Class for your Loss Control

If you haven't registered yet, do so now! The live classrooms in CdA, Lewiston and Twin will be ***canceled Tuesday,March 1*** if we don't reach our minimum.

Here for registration and other details



April 13-15
Big "I"
Legislative Conference

Scholarships are available - up to $1000 - if you're thinking about attending to get a first hand look at the work of your fellow agents on the hill.
Click here for registration and *$$.*

Risk Assessment Tools

The Big I Virtual Risk Consultant (VRC), powered by Rough Notes, can help uncover hidden exposures with more than 700 coverage checklists ranging from alligator farms to wallpaper distributors. Simply download the relevant checklist and use it to ensure your agency offers every client all appropriate coverages. And the VRC provides much more than coverage checklists. It also offers tools for risk exposure assessment in both commercial/personal lines exposures, proposal/technical research, and marketing/prospecting. Learn more and check out a demo of the VRC.

CLASSIFIED

Needed: Commercial Acct Mgr

Associated Insurance Services is seeking a commercial account manager in its Coeur d'Alene office. The position will focus on customer service for logging accounts. Experience is preferred. Competitive salary, excellent benefits and room to grow!

See www.aisidaho.com for more info. Contact: Emily Koleno, Operations Manager at emilyk@aisidaho.com or 208.955.8186.

Needed: Commercial CSR

Christensen & Associates Insurance Agency is looking for a Licensed Commercial CSR, 2 years Commercial Insurance Experience required.

For more details contact tami@bcins-id.com

Needed: Company Experienced Underwriter

EMC Insurance Companies, a leader in property and casualty insurance for over 100 years, is seeking a Senior Commercial Underwriter for our Bismarck Branch office to work from their home in the Boise area. Responsibilities include underwriting an assigned book of business for all lines of property and casualty insurance, developing and maintaining relationships with agency force and ability to train and mentor other commercial line underwriters. Our ideal candidate must possess at least 7 years of commercial lines underwriting experience, bachelor's degree or equivalent work experience, strong communication and superior customer service skills.

Count on EMC to offer an excellent benefit package including medical/dental/vision insurance, wellness benefit, 401(k) and pension plan, business casual dress and life insurance. To apply, please complete our on-line employment application at: https://emcins.wd5.myworkdayjobs.com/EMC_Careers

EVERY PERSON IN YOUR AGENCY IS A BIG "I" MEMBER.
IF YOU WANT YOUR TEAM TO RECEIVE ASSOCIATION NEWS,
SEND THEIR NAME AND EMAIL ADDRESS TO TRICIA.
TCRUMP@IIABI.ORG

Convention 2016

Sun Aug 21 – Wed Aug 24

Coeur d'Alene Resort

Brandie Hinen, PowerHouse Learning… Connection Suggestions

Have you thought about the natural process we all go through in making decisions?

We all – yes, even your buyers - go through a series of little bullet points:

- What's important to me?
- Is it to my benefit?
- Do I see a value in putting the time to it?

If you cannot bring someone the emotional or mental intrigue to continue a conversation, they likely will not genuinely have time or tolerance in their day to continue. Use a simple approach rather than a complex one. People want authenticity in their relationships, not canned scripts like "we have a special program." Consider an approach such as "We work with X and X and X and when I was talking with them recently I asked who else I should be speaking to, and they mentioned they do business with you. Can I come by and just introduce myself and find out whether we'd be a good fit?" OR "I was driving by and noticed your fleet in the yard. You know, we work with X and X and X; do you know any of those guys? We do a lot in your area/line of work, and I'm wondering if I could come by, introduce myself…"

So, let's just say you got the appointment, and you're ready to get in. Here are some quick tips that have helped me accomplish my goals and give a good impression:

1. Be clear about your purpose; begin with the end in mind. Think about what you are "committed to cause." I know these are strange words we often do not use in day to day communication. What I mean is: what is the *experience* or *emotion* you want to create ***for the other***? Openness? Honesty? Willingness to move ahead? I promise that you WILL create or evoke a response – the question is: do you want to be aware or not aware of what that is?
2. Think about what you offer that they may be intrigued by. Do you offer a service, approach, system or process that will genuinely help them achieve their wants?
3. Remember that this is one of the multiple decisions that this person has already made today. Can I make their decision EASY to do business with me?
4. Over 65% of the population are visual learners who like to see things. That's likely you and your buyer both. I think to myself, "What can I draw on a sheet of paper or show that is appealing to them?" P.S. It's not your agency's $5.00 tri-fold brochure!
5. Think about who the audience is. Some examples are: (1) What line of work are they in? (2) What do you know about them as a person? (3) Do you need to do some research on the web or in the manual?
6. Who do you already know or who does the agency work with or currently insure that may know this person already? Having a personal reference or recommendation can make all the difference in moving ahead or being seen as just another desperate soul looking to "get" something from them.
7. RELAX. Be comfortable in your own skin. This one takes many of us a lot of years …and some of us more years than others! The more comfortable you are just being yourself, the better you'll present, and the clearer you'll think.
8. Consider the other. What could be going on for this person as a person? Think about putting yourself in their shoes … think to ask questions instead of selfishly telling all about you and your product. Too many producers remind me of that country song, "Wanna talk about me, Wanna talk about I, Wanna talk about number one…"

REVENUE WORK: Do more research before your next appointment. First, research your own motives. If your thoughts are mostly about you, you're starting off on the wrong foot. Next, research more on who you're going to see. Think about them as a person who likely has some connection to another person you or your organization already works with. Let me know how it goes.

BIG "I" GOVERNMENT AFFAIRS

Delivering Results for Independent Agents

After securing multiple legislative wins in the past year to protect the independent agency system and promote competitive and stable state insurance markets, the Big "I" government affairs team will continue its work in 2016 and beyond.

Advancing Uniformity in Agent Licensing
In a tremendous victory, last year Congress overwhelmingly passed the National Association of Registered Agents & Brokers Reform Act (NARAB II). The Big "I" has been leading the charge on NARAB II for nearly a decade, as it will provide agents and agencies with a one-stop compliance vehicle for nonresident licensing.

Safeguarding Against Terrorism
NARAB II became law in conjunction with another Big "I"-backed measure: the Terrorism Risk Insurance Reauthorization Act of 2015. The law provides a long-term extension of the Terrorism Risk Insurance Program which helps ensure terrorism insurance is affordable and available to businesses across the country.

Defending the Role of Agents in Crop Insurance
Last fall, the Big "I" launched a nationwide grassroots campaign to roll back $3 billion in cuts imposed on the crop insurance program—cuts which would have disrupted the agriculture economy and directly affected agent commissions. As a result, funding was restored in a year-end Highway Funding bill. Despite the win, the Big "I" will remain vigilant as attacks to the crop program will continue.

Working to Fix the ACA
The Big "I" ended 2015 with a last minute victory when Congress passed legislation to delay the "Cadillac tax." This ACA provision would have levied a 40% tax on employer-sponsored health benefits that exceed an established annual cost, starting in 2018. The Big "I" will continue to fight for a full repeal of the "Cadillac tax."

Advocating for Small Businesses
The Big "I"-supported PACE Act was signed into law by President Obama in October. This new law helps protect employers and their employees from significant health insurance premium increases by redefining "small employer" as an employer with 50 or fewer employees.

Protecting State Insurance Regulation
Throughout 2015, the Big "I" worked closely with the National Association of Insurance Commissioners to pass the Policyholder Protection Act. The Act reaffirms the primacy of state oversight of the insurance market and protects policyholder assets. It passed the House in November and was included in a year-end federal funding agreement.

BENEATH THE SURFACE

NEW FIDUCIARY RESPONSIBILITIES FOR 401(K) PLAN SPONSORS MEAN NEW RISKS. HERE'S WHAT AGENTS NEED TO KNOW ABOUT THE NEW CLIMATE.

By Dave Evans

DIMITRI OTIS/GETTY IMAGES

Affordable Care Act regulations might be grabbing all the attention—but did you know 401(k) plan sponsors are facing increased risk?

Over the past several years, employers have necessarily focused on Affordable Care Act (ACA) requirements. Considerations relating to cost, complexity and communication have led many organizations to change their plans significantly and devote less time and attention to running their businesses. Due to the political nature of ACA, media coverage has highlighted the ACA's numerous rules, harkening back to when Congress was debating the program and President Obama signed it into law.

But this intense focus on the ACA has obscured another significant threat to organizations that sponsor another important employee benefit: 401(k) plans. Recent developments have resulted from governmental agency regulation and as well as participant litigation. The urgency for independent insurance agents to understand the new climate is twofold: 1) as sponsors of their own 401(k) plans, agents must understand the requirement for having a process to evaluate their 401(k) plans on a consistent basis; and 2) if agents write D&O coverage for their commercial clients, they must educate them about the importance of taking an active oversight approach for their 401(k) plans.

What's the Problem?

In this regulatory landscape, if you ask most independent agency owners that sponsor a 401(k) plan whether they are carrying out their fiduciary duties, they would probably answer "yes": They have a bank, brokerage firm or insurance company that provides a "list" of investment options including stock-based investments (large cap, small cap, international), bonds (corporate, government) or hybrid options (target-date funds) and a stable value account, also known as a "guaranteed account," paying a stated rate of interest. Typically, agency principals may meet with their investment broker or advisor once or twice a year to review the list of offerings, and since the employees pick from among the options, agency owners believe they are satisfying their responsibilities.

Because the Employee Retirement Income Security Act (ERISA) deems 401(k) plans "qualified" retirement plans, sponsors must understand their respective responsibilities. For each plan sponsor, one or more people are deemed "fiduciaries" and as such have a fiduciary duty to the plan participants. Note that individual retirement accounts (IRAs), simplified employee pension (SEP) plans and SIMPLE IRAs do not qualify and are generally not subject to ERISA.

According to the Department of Labor (DOL) website, "Fiduciaries are generally those individuals or entities who manage an employee benefit plan and its assets. Employers often hire outside professionals, sometimes called third-party service providers, or use an internal administrative committee or Congress and eventually signed into law by President Obama."

Importantly, the DOL adds, "Even if an employer hires third-party service providers or uses internal administrative committees to manage the plan, it still has fiduciary responsibilities," and goes on to list the following examples of plan fiduciaries:

- The trustee
- The investment advisers
- All individuals exercising discretion in the administration of the plan
- Those who select committee officials

The problem? The actual responsibility is much broader and deeper than what most plan sponsors realize. Many are unaware that their organization is not paying the actual cost of administering the plan. Most employers focus on their out-of-pocket costs for paying for administration, but since many 401(k) plans are "bundled," recordkeeping, investment firm and advisor compensation is hard to discern—and may typically involve cross-subsidies. This occurs when the recordkeeper earns payment from sub-transfer agent payments (also known as "sub-TAs") and 12(b)(1) fees from the mutual fund companies. As a result, the actual invoice to the employer for recordkeeping and related plan services does not represent the total revenue paid to the recordkeeper, but instead what the employer pays. The plan pays the subsidies—which means the plan participants pay the subsidies.

In the Real World

Consider the following example: Assume an independent insurance agency with 15 employees has a 401(k) plan with $2 million in assets in various mutual funds. A third-party administrator bills the agency $2,000 annually. The employer believes that's a good deal. But in reality, the administrator also receives 25 basis points of compensation from the mutual fund company equivalent to $5,000—bringing their total revenue to $7,000.

The mutual fund company may also pay compensation to the investment advisor or broker of another 25 basis points. If the investment advisor provides worthwhile service to the plan sponsor and employees, assisting with fund selection and monitoring as well as

MEP ADVANTAGES

Smaller 401(k) plan sponsors may feel the size of their plans may not allow them to take advantage of the RIA approach. But using a multiple employer plan (MEP) enables groups of like businesses to form a single retirement plan for all participating plan sponsors. By aggregating the plan assets of the participating plan sponsors, they can then take advantage of lower retirement costs resulting from economies of scale.

The Big "I" created a member-only MEP in 2014, and member participation has been increasing. "It made sense to sponsor a MEP to provide 'best of breed' providers like Schwab Bank, Vanguard, MVP Administrators and very importantly Mesirow Financial, which is the ERISA 3(38) Advisor who agrees to be co-fiduciary and oversee fund selection and monitoring of the MEP investments," says Paul Buse, president of Big I Advantage®. "We see this as a value-added benefit of membership." —D.E.

COURTS WEIGH IN

In May 2015, the U.S. Supreme Court ruled in Tibble v. Edison that the case—filed in 2007 and initially time-barred—was to be remanded back to the Ninth Circuit Court of Appeals. The participants in the Edison 401(k) Savings Plan sued the plan fiduciaries for losses suffered due to a breach of fiduciary duty relating to mutual funds in the plan's lineup, arguing that Edison fiduciaries imprudently offered higher-priced retail-class mutual funds when materially identical, lower-priced institutional class mutual funds were available. The Supreme Court's decision focused on the Ninth Circuit's failure to consider fiduciaries' ongoing obligation to monitor and remove imprudent investments.

In a similar case, Tussey v. ABB, the basis of the lawsuit against the fiduciaries was for 1) failing to monitor or negotiate recordkeeping costs; and 2) paying its recordkeeper, Fidelity, excessive fees in order to subsidize the corporate services Fidelity provided to ABB. Ultimately, the court ordered ABB to pay $35 million in penalties.

A number of cases, including Braden v. Wal-Mart Stores, relate to "overpriced mutual funds." The terms of the expected settlement in the Braden case—which had more than 560,000 pages of documentation and six to eight depositions for each fiduciary—involved Wal-Mart paying $13.5 million. —D.E.

educating employees about saving for retirement and the investments, nothing is patently wrong with their remuneration.

The problem for plan sponsors in a bundled arrangement is that they are required to maintain a process for reviewing the costs of their plans—particularly with regard to any costs relating to 401(k) plans and, ultimately, the plan participants. This process begins with an investment policy statement that serves as a criteria basis for investment selection, evaluation and monitoring of the plan arrangement and cost, as well as investment performance.

Most plan sponsors only focus on the latter, not the other pieces. And that's a mistake, considering the various share classes and the opportunity to lower the relative cost of services as the plan assets grow. This is where much of the 401(k) plan litigation has focused.

Don't be surprised if 401(k) plan-related litigation picks up in frequency—and understand that the cost of a settlement, in addition to defending a suit, can be staggering for the plan sponsor. Plan participants have started to become more aware of their related plan expenses since the enactment of ERISA regulation 408(b)(2), which requires annual disclosures to each plan participant in dollar and percentage amounts so they can gauge the impact on their 401(k) account balance.

Bundling Woes

One of the key issues for plan sponsors is how bundled arrangements can impact the objectivity of the plan investments they offer or recommend. The amount of potential subsidies varies by share class, and arrangements and can greatly influence the menu of investment options that are available. As plan assets increase, lower-cost mutual fund or collective fund share classes may be available for plan sponsors to use to replace higher-expense choices.

One trend that has developed in response is the use of registered investment advisors (RIAs) that charge fees on a sliding scale: The fee percentage decreases as the assets increase. Then, the RIA selects among institutional funds that pay no remuneration to the recordkeeper or investment advisor (or is offset against the RIA fee). This approach provides transparency and makes it easier to digest total paid fees by removing fund subsidies.

In light of the DOL's increased emphasis on fiduciary responsibilities, plan sponsors, insurance agents and D&O clients should keep a close eye on the evolving landscape of litigation and regulation, looking below the waterline to see the whole story.

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