

Subj: **Breakfast Bits from IIAM Week of 3-29-2010**
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March 29, 2010

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Issue: 33



This Week:
March 31-Commercial Property-BWI
April 2-Office Closed

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'Financial Services Reform'

On March 23, the Senate Banking Committee reported out a bill to reform our nation's financial regulatory system. Almost 500 amendments were filed, but none were offered at the markup after an agreement between Chairman Chris Dodd (D-CT) and Ranking Member Richard Shelby (R-AL) that a number of issues will be

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IIAM Education Programs

negotiated between markup and Senate floor consideration. With that said, several amendments were rolled into a manager's amendment offered by Chairman Dodd.

The markup, originally expected to last several days, lasted just over 20 minutes. Following opening statements by Chairman Dodd and Ranking Member Shelby, Dodd called for a vote on the manager's amendment, which passed along party lines by a vote of 13 to 10.

In a major victory for the Big "I," the manager's amendment included an amendment filed by Senator Jon Tester (D-MT) which clarified that insurance agents and brokers would not be subject to onerous mandatory data collection requirements by the Office of National Insurance (ONI). Without this provision, countless agents and brokers could have inadvertently been subjected to data information requests. Much like in the House legislation, the Big "I" took the lead on this provision and worked very closely with Senators Tester and Dodd to ensure that this was included in the bill.

Chairman Dodd's opening statement summarized the main four aspects of the bill: ending bailouts, establishing an advanced warning system for future crises, promoting transparency in all transactions and enhancing consumer protection. Citing high job loss and foreclosure rates, Dodd stated that he looks forward to a "spirited debate" over this legislation and believes it will increase jobs and strengthen financial security.

Below are specific provisions from the bill:

- Transparency in hedge fund markets. Hedge funds larger than \$100 million will be required to register with the SEC as investment advisors and will be required to disclose financial data to a financial stability council.
- Corporate governance. Provides shareholders with a say on pay with a non-binding vote on executive compensation.
- Investor protection. Provides rules to promote transparency and accountability for credit rating agencies.
- Banking regulation. Clarifies the role of different regulators over financial institutions and leaves the dual banking system in place. Eliminates the OTS and transfers its functions to the OCC. The existing thrifts will be grandfathered in with no new charters for federal thrifts.
- End "too big to fail" bailouts. Large interconnected firms have been criticized for their role in the financial meltdown. Chairman Dodd's bill would empower the Financial Stability Oversight Council to monitor risk and make recommendations to the Federal Reserve on capital requirements and would also establish new supervisory authority to wind down a failing institution through the bankruptcy process or through the FDIC's resolution authority.
- Creation of an independent consumer protection watchdog (aka CFPB). Unlike the House bill, this entity would be housed within the Federal Reserve. It would have an independent budget and an independent head appointed by the President. It



UPCOMING SEMINARS:

SEATS AVAILABLE!!

Commercial Property
March 31

Commercial Property
(AAI)
April 6

**For an entire listing of
our programs for the
remainder of the year,
click here!**

Legislative Session Activity



Keep track of the bills that impact you and your business. The IIAM Legislative Bulletin is online and all bills may be viewed or saved from that site. Don't wait until the session is over. Check in regularly to see the bills and what the IIAM Legislative Committee is doing.

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would also have independent examination and enforcement authority.

- Creation of a Financial Stability Oversight Council. This systemic risk council would be tasked with identifying firms that pose a risk to the greater financial system. It will be composed of nine members of federal financial regulators and an independent member and will be chaired by the Treasury Secretary. This Council would have the authority to require the Federal Reserve to conduct additional solvency oversight of nonbank financial companies, including insurance companies, if agreed to by a 2/3 vote.

Improve transparency and accountability for exotic instruments. This legislation would require the SEC and CFTC to regulate over-the-counter derivatives and require that more derivatives go through a central clearinghouse or be traded on exchanges to rein in excessive risk-taking. Senator Dodd has noted that this language is merely a placeholder and will change significantly.

Items SPECIFIC TO INSURANCE:

As expected, the majority of this bill does not focus on insurance regulation and similar to the House legislation there is no day-to-day federal regulation of insurance. Additionally, in a major win for the Big I, the consumer protection agency does not include insurance products. With that said, there is an insurance title and other provisions (systemic risk/resolution authority) that could impact the insurance market. These include:

1.
 - **Office of National Insurance.** This provision would create an informational office housed within the Department of Treasury to improve the coordination of information gathering and sharing between states and the federal government as well as play a role in international insurance agreements. The language is somewhat similar to the language found in the "Federal Insurance Office" provision as passed by the House of Representatives in December. Finally, as in the House, this provision requires a study to be provided to Congress that looks at ways to modernize insurance regulation and provide Congress with recommendations. Also as in the House, this study would have to be completed in consultation with the NAIC.
 - **Nonadmitted and Reinsurance Reform Act.** The "surplus lines" legislation, which the Big "I" has advocated for and which was also included in the House version of the legislation, was included in Chairman Dodd's bill. As a reminder, this section is aimed at streamlining the regulation of surplus lines insurance and reinsurance through state-based reforms.
 - **Resolution Fund.** This provision would require financial firms with more than \$50 billion in assets to contribute to an upfront fund intended to help dissolve troubled companies that pose a significant risk to the

overall financial system. However, a change in the managers amendment made clear that property-casualty insurers are exempt from this pre-event resolution fund. Any nonbank financial companies supervised by the Federal Reserve could still be assessed however. While insurers have largely been carved out of the initial \$50 billion pre-event resolution fund, should the fund be depleted, large insurance companies could be assessed on a post-event basis to fund the resolution of failing systemically risky institutions.

- **Liquidation Authority (Resolution Authority).** This section creates a federal resolution authority to unwind and orderly resolve failing nonbank financial institutions (using the Resolution Fund, mentioned above). Insurance companies are specifically excluded from this section UNLESS they operate in a state without an orderly guarantee fund system or if that guarantee fund does not promptly begin its own resolution mechanism within 60 days.

Big "I" To Host Free Webinar On The Use Of Social Media In The Independent Agency System

Social media and industry experts to offer introduction to social web for agencies.

The Independent Agents & Brokers of America's Agents Council for Technology (ACT) will host a free webinar titled "**Introduction to the Social Web - A New Way to Connect,**" on Wednesday, April 7 from 2:00 to 3:00 p.m. EDT.

TITLE: "Introduction to the Social Web: A New Way to Connect"

PARTICIPANTS: Ryan Hanley, Guilderland Agency, Jason Hoepfner, B.H. Burke & Co., Chris Jordan, Atlanta Insurance Live, Liz Kittell, Independent Insurance Agents of Nebraska, Rick Morgan, ACT Social Web Work Group chairman and principal of Rick Morgan Consulting, Jeff Yates, ACT executive director

DATE: Wednesday, April 7, 2010

TIME: 2:00 - 3:00 p.m. EDT

REGISTRATION: [Click HERE](#)

COST: **Free**

"This webinar is designed to cover the basics for getting started and implementing a successful agency social web strategy using tools such as Facebook, Twitter and LinkedIn," says Jeff Yates, ACT executive director. "It is the second in a series of webinars ACT will host this year on the social web and it will demonstrate the business applications independent agencies are finding most

effective when using social media."

ACT has a very active Social Web Work Group which is putting on a series of webinars to address the most frequent questions the group gets from agents regarding the use of social media. The first webinar discussed the experiences agent and carrier representatives have had in setting up a social web policy for their organizations. It supplemented an ACT report titled, "Creating a Social Web Policy for Your Independent Agency." Other resources are available by going to www.iiaba.net/act and clicking on the "Websites & Social Media" link.

Maryland 'I' Day-April 13, 2010

Time: Registration begins at 8:00 a.m.
 Place: Conference Center at the Maritime Institute
 692 Maritime Boulevard
 Linthicum Heights, MD. 21090
 Cost: \$99.00 (Member of IIAM)
 \$125.00 (Non-Member)
 \$80.00 (Retiree)
 C.E. Six (6) hours

Registration must be done online. You may pay by check, but still must register online. [Click here to register.](#)

MARK YOUR CALENDAR!

IIAM'S 73RD ANNUAL INSTALLATION DINNER-'BULL ROAST & CASINO NIGHT'

JUNE 11, 2010
 The Turf Valley Resort

Registration includes a three (3) hour afternoon c.e. session, 'Hot Buttons'.

[Click here for information & to Register!](#)

IMPORTANT NOTICE-FLOOD INSURANCE EXPIRES AGAIN!

The National Flood Insurance Program's authority to operate expired at midnight Sunday, March 28. Congress enacted a 30-day extension of the program last month, but failed to pass another extension before it adjourned this afternoon. Lawmakers will not reconvene until **April 12**.

The Senate was unable to take action on a bill extending unemployment benefits and the NFIP when Sen. Tom Coburn of Oklahoma objected to taking a vote, citing the bill's effect on the federal deficit.

The suspension of the NFIP's authority means that it will be unable to issue new and renewal policies after midnight Sunday. Agents and brokers should notify affected customers.

[Please follow the NFIP guidelines for flood insurance.](#) IIAM will provide updates as the situation progresses.

Shelley Arnold, CPCU, AU, ARM, AAI, ACSR
Independent Insurance Agents of MD

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