Second Quarter 2012 . Vol. 43, No. 1

# AUIUMNE



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Annual Convention Special Pull-Out Registration Section

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IAMIC's 131st Annual Convention & Trade Show Scheduled for Aug. 5 - 7, 2012 at

By Lois Lane IAMIC Events Correspondent

BREAKING NEWS - When it comes to throwing a Convention, no one tops the Illinois Association of Mutual Insurance Companies (IAMIC), and this year is no exception. The 2012 Annual Convention Planning Committee is pulling out all the stops for a memorable gathering of informative educational sessions, great food, outstanding entertainment, trade show, and a chance to catch up with friends and colleagues in the mutual insurance community!

Save the Date! August 5 - 7, 2012



the elegant Embassy Suites Hotel in East Peoria, the festivities are set to begin Sunday with a Golf Outing, Trap Shoot, and Patio Party on the Riverfront. Dinner will begin at 6:00 p.m., and will include a live band.

Don't be left out .... plan now to attend. In fact, bring your entire staff because this year every Mutual that brings at least 7 members to Convention will qualify for a special prize drawing!

"There's no doubt it will be the best annual convention ever," Jackie Rakers, Executive Director said. "Wo

#### Mike Beaird Central Illinois Mutual

# Chairman's Message

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PLUS -

this issue of Lautum News!

**REGISTER TODAY!** 

Special Annual Convention "pull-out" section in center of

#### STRENGTH SERVICE

Says it all doesn't it.

IAMIC'S theme of STENGTH, SERVICE and STABILITY for 2012 tells the story of our Mutual Industry and our Mutual Industry history.

Your Mutual company individually is STRONG, but by bonding together as one with IAMIC, we have a STRENGTH that cannot be overcome. Our Mutuals provide a SERVICE to the policyholder that no one else can, you see, we care. We are many local companies that can respond to a disaster quickly. Our history tells of STABILITY. How many industries can boast of the longevity that we have in business?

pear for various reasons. Don't become a statistic. It is important to your Mutual's survival that you are both educated and well informed.

Of course, there are also



many behind the scene activities that keep our Executive Director busy. She is in constant contact with the Insurance Department and the State Legislature, watching out for and battling for our Industry. IAMIC has many

Many of your friends and colleagues are serving IAMIC in various capacities, giving of themselves, helping you, your Mutual and our Industry.

Recently our state has had many severe storms. Some of us have had large fire losses. The Mutuals have weathered this before, and we will again, becoming even stronger in the future.

This has been another busy year for IAMIC. We have had the Claims Seminar. Underwriting Seminar, two Regional meetings, the State Legislative Day, and the Joe Reid Congressional Contacts Program in Washington, D.C. I hope that you have had the opportunity to take advantage of one or more of our educational and informative events. These are an important part of what IAMIC does for you. If you have not been in attendance, ask yourself, why not? In the past year, we have seen some Mutuals disappeople that are willing to give of their time to help. Many of your friends and colleagues are serving IAMIC in various capacities, giving of themselves, helping you, your Mutual and our Industry. Please join them and volunteer in some capacity. You will find it as rewarding

The IAMIC Annual Convention is coming on August 5 - 7. It is imperative that you and many of your companies leaders attend. The educational and networking opportunities are priceless. I will look forward to seeing all of you, my friends, at the convention. We may also have some "SUPER" guests in attendance. I can't wait. ❖

Mike.

#### From the Executive Director's Desk

It's hard to believe that we have already held so many events and it's time to focus on CONVENTION! While this event is probably the most time consuming for me, it is also the most rewarding. The Convention committee and our Chairman Mike Beaird have an entertaining and educational event planned for each of you. Details are in this *LAUTUM News* and we encourage you to sign up soon and take advantage of the early bird discount!

Convention is being held earlier this year in hopes that you can bring your families and enjoy the fun with your IAMIC peers. Peoria has many activities to offer and this could prove to be a mini-vacation for your family! We hope you can join us August 5 – 7 in East Peoria at the Embassy Suites.

New this year is PISTOL RANGE on Sunday. If you're an expert marksman or someone who has always wanted to learn how to shoot a gun—this event will be exciting! See details in the Registration section. Also new this year: Mutuals who have more than 7 members attend from their Mutual will qualify for a special prize drawing!

Please talk at your next Board meeting and consider being a Convention sponsor! It's very costly to host this event and we rely heavily on sponsorships—can you help?

AWARDS—we are seeking nominations for this year's award. If your fire department works hard every day to protect your community, let them know you appreciate their efforts. Nominate them for the Fire Department of the Year Award. (See page 12)

Company Achievement Award doesn't just pat the Manager on the back . . . it is recognition for the entire staff and board of directors. With the ever-changing needs to stay in business, I'm sure many of you qualify

for this recognition—be sure to nominate your company today! (See page 12).

The LAUTUM Award is our most prestigious award—given to ONE member who is respected by his/her peers in honor of their dedication to our industry. This is done by nomination only; please fill out the form and return it to our office today! (See page 11) July 20<sup>th</sup> is the deadline for all of the award nomination forms.

I have had the pleasure of attending several board meetings to recognize Mutuals who are celebrating important milestones. What a great perk of my job!! Getting into the Mutual and meeting the Board members has been very rewarding. I enjoy learning the history of each Mutual and am proud to work in this industry! Sometimes, I have found obstacles they are facing, and have been able to connect them with the solutions or guide them in the direction toward a successful resolution. If your Mutual is celebrating an Anniversary, contact the IAMIC office and let me know when your next Board of Directors meeting will be held—I'd love to attend and present YOUR company with a Certificate of Excellence.

In addition to celebrating Mutual milestones, I have been asked to be part of a few employee and Board Member's Celebrations. When possible, I love to be part of them as well—just let me know who, what, when, and where and I'll try to be there!

I hope to see you at Convention! Have a great summer, enjoy your family, relax with friends and enjoy life! ❖

Best Wishes,

Jackie



Jackie Rakers, IOM

Convention is being held earlier this year in hopes that you can bring your families and enjoy the fun with your IAMIC peers. Peoria has many activities to offer and this could prove to be a mini-vacation for your family! We hope you can join us August 5 – 7 in East Peoria at the Embassy Suites.

# Advocacy is Not Easily Quantified

by Mike Davis Mt. Carroll Mutual Chairman, Government Relations Committee

There is a saying that goes something like "if you aren't at the table, then you might be on the menu."

IAMIC is at the table and keeping you off the menu.

Advocacy is at the top of the list of those benefits IAMIC provides for each and every member, yet it is one of the vaguest. The dictionary defines advocacy as "giving aid to cause" or "active verbal support for a cause or position." Well, the "cause" of IAMIC is you.

We often think of government when we speak of advocacy in the Farm Mutual Industry. How could you not when every year there is an effort to have you contribute to IAMIC PAC (the state PAC that enables IAMIC to support candidates running for state offices) and NAMIC PAC (the national PAC that enables the NAMIC to support candidates running for national offices)? But the advocacy of IAMIC and NAMIC on behalf of our members is so much deeper, from monitoring single issue legislation to working with companies, other agents and vendors to speaking to individual companies and organizations about the role of mutual insurers and specific issues.

Advocacy is not easily quantified—you can't count or measure the results as you can operating expenses, income and profit. As a business man who likes to know the numbers and compare, I know this can cause heartburn. But let's try this exercise:

How much is it worth to you to have someone monitoring every bill in the Illinois legislature for language that may negatively impact you and your business—for example, credit scoring, fee increases; licensing requirements; unfair competitive advantages; sales taxes on professional services; compensation disclosure or health benefit exchanges.

**How much is it worth** to have someone monitoring every proposed regulation, working with The Department of Insurance

and participating in working groups, task forces, and committee meetings, to educate on the role of mutual insurers to prevent bad ideas from becoming reality?

How much is it worth to you to have staff members available to review legislation, proposed regulations, and ISO and NCCI filings? You can call Phil Lackman or our national staff anytime to get guidance and advice on any relevant statute or regulation.

**How much is it worth** to you to have updates on any new information that directly impacts your business—such as changes made in the federal crop insurance program, NCIP.

How much is it worth to have someone educate elected officials about the basic deficiencies of FSA (Farm Service Agency) delivering the crop insurance program over the independent crop insurance agents. This Farm Bill, which includes the crop insurance program, must be renewed by the end of September of this year. Let me give you a picture of what some pay for these services: a contract lobbyist who makes a living watching legislation and lobbying on issues may be paid anywhere from \$15,000 to over \$1,000,000 per year, per client. To have a lawyer on retainer would cost just as much. To have someone on staff who can research and present on changes to statutes, regulations, forms, etc., would cost a professional salary as well. So, would you rather shell out over \$200,000 a year for these services? Or would you rather be a member of IAMIC?

There is a saying that goes something like "if you aren't at the table, then you might be on the menu."

IAMIC is at the table and keeping you off the menu. Thank you for your membership. •

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#### **Mutual News**

# Fanance Parameter Control of the Con

#### **FMDC**

Karen Lalor, *Belvidere Mutual* receives her FMDC certification from NAMIC. Shown at left is IAMIC Executive Director Jackie Rakers making the presentation to Karen. ❖

# Joe Reid Scholarship Recipients

**Katrina Boliard**, *Nokomis Farmers Mutual* – pictured below with IAMIC Chairman, Mike Beaird.

Our three Joe Reid Scholarship Award recipients joined other IAMIC members on the Congressional Contacts trip to Washington, D.C., April 25 & 26.



**John Elston**, *Mendota Mutual*, pictured at left with Mendota Manager, Deb Geuther.

Loren Wilken, *Town & Country Mutual*, pictured at left with Linda Wares, member of the PR committee. ❖



#### **Anniversary**

Max Slifer was presented with an award acknowledging 10 years with *Bishop Mutual*. Board President, Roger Elliott is shown below presenting Max with the plaque. ❖



#### In Memory of . . .

Marjorie Lawless, wife of Joe Lawless, *Central Illinois Mutual*, passed away April 20, 2012. Marjorie was involved in the Ladies Auxiliary program for many years and attended several conventions. Our sympathy to the Lawless family. ❖

#### Retirements

- Jack Cassens, long time director of *PLN Mutual Insurance Company*, retired with a brief ceremony at the company's Annual Meeting in January. Jack was a director for 43 years, and he led the company as President for the last 28 years of his tenure. Thanks for your years of service to our Industry!
- Joe Lawless—President from 1981—2012 for *Central Illinois Mutual Insurance Company* retired. Joe began his career with Central Illinois as a Board member back in 1952. Thanks for your years of service to our Industry!
- Harvey Junge—Director for *Randolph Mutual Insurance Company*, retired after serving 30 years as a Director. Thanks for your years of service to our Industry!
- Lloyd Brase—Director and Past President of *Hamel Mutual Insurance Company* retired after serving from as a Board of Director from 1984, became President in 1991 and retired in 2011. Lloyd was honored at the annual meeting and presented with a plaque recognizing him for his years of service. IAMIC also thanks you Lloyd for your years of service!
- Don Abel—Director of Marshall Mutual Insurance Company for 51 years. Executive Director Jackie Rakers attended the company Christmas celebration and made the presentation to Don in recognition of his years of service to our Industry!



■ Shirley Moen managed *Lanark Mutual* which merged with *PLN Mutual* in 2012. Happy Retirement, Shirley! ❖

## **Mutual Milestones**



Belvidere Mutual — 135 Years (2011)

"Flaming enthusiasm, backed up by horse sense and persistence, is the quality that most frequently makes for success."

—Dale Carnegie



Bishop Mutual — 130 Years

"Success is that old ABC: ability, breaks, and courage."

—Charles Luckman



Buckeye Mutual — 145 Years

-continued on next page

#### (**Mutual Milestones** – continued from page 7)

"Success is to
be measured
not so much by
the position that
one has reached in life
as by the obstacles
which he has overcome."

—Booker T. Washington

"Do you know
the difference
between education
and experience?
Education is when
you read the fine print;
experience is what you get
when you don't."

—Pete Seeger



Camp Point Mutual — 135 Years



Carthage Mutual — 115 Years

-continued on next page

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Hamel Mutual retirement — Lloyd Brase presented a plaque by President Wayne Reuhrup.

Hamel Mutual — 140 Years







If your Mutual is celebrating a five year milestone in 2012 watch for a request from the IAMIC office to attend one of your board meetings to present your company with an Anniversary Plaque!

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## 2012 Award Nominations

#### **Lautum Award**

The highest honor of our association, the Lautum Award, will be presented to someone at our Annual Banquet on Monday, August 6.

The coveted award will be presented to a person who has earned the respect and high regard of his or her colleagues, and who has contributed greatly to the Illinois Association of Mutual Insurance Companies and their community.

If you know an IAMIC member who you feel is deserving of this distinguished award, please complete and return this form to the IAMIC office. All nominations are kept in consideration for five years. Previous award winners are not eligible.



r	Nomination Form for 2012 Lautum Award
Ν	Jominee's Name
C	Company Affiliation
В	ackground Information
_	
_	
_	
_	
_	
_ N	Nominated By (optional)
C	Company Affiliation
	elease return this nomination (or submit online at www.iamic.org) by July 20 to: IAMIC, P.O. Box 116, Ohlman, IL 62076, on the second state of the second se

#### **Volunteer of the Year Award**

Each year we recognize one of our volunteers with the Volunteer of the Year Award. This award is to recognize an individual for their tireless work on behalf of the association. IAMIC is nothing without its many volunteers. Join with us at the Annual Business Meeting when we recognize a member who has gone above and beyond for the members of IAMIC.

-continued on next page

#### Y.O.G.I. Inspections

Homes, Farms, Rental Dwellings, Confinements and Supplemental Inspections for Mergers, New Business and Confirmation of Rating Variables Independent Surveyor for Farm Mutual Insurance Cos. George W. Luthe dba Y.O.G.I. Inspections 2801 Richard Road Bloomington, IL 61704 george.luthe@frontier.com 309.838.9688

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(**2012 Award Nominations** – continued from page 11)

#### **Company Achievement Award**

The 2012 Company Achievement Award will be presented during the Industry Luncheon on Tuesday, August 7. This award is presented annually to a company to recognize a wide, ever-changing variety of criteria. Some of these items include, but are not limited to, Director Participation, Policyholder Surplus, Economic Growth, Longevity and Stability, Educational Commitment, Mission Statement/Marketing Plan, Community Involvement, Loss Prevention, Agent Development, Innovation and Enthusiasm.

Let us know how your Mutual has worked with any of the above-mentioned items. Share with us how your company overcame its greatest challenge or obstacle. Welcome too would be pictures of the office and staff. Also, send along advertisements or a copy of your brochure, if available. All applicants will be eligible for award consideration for the year of submission plus four years. Take this opportunity to recognize your Board Members diligence and your staffs dedication and hard work.

Please send your submission for the Company Achievement Award (or submit online at www.iamic.org) by July 20 to:

IAMIC, P.O. Box 116, Ohlman, IL 62076 or fax to 888-403-0935.

#### Fire Department of the Year Award

Here's a great chance for you to help recognize the efforts of your community's fire department. The IAMIC Fire Department of the Year Award will be presented at the Industry Luncheon. The award recipient will be selected through nominations submitted by you, our members. The award is designed to honor those courageous, hard-working and vital members of our communities—our fire departments. Please take a moment to write a letter listing the fire department you are nominating and the reasons they are deserving of being named the Fire Department of the Year.

Please submit your nomination for the Fire Department of the Year Award (or submit online at www.iamic.org) by July 20 to:

IAMIC, P.O. Box 116, Ohlman, IL 62076 or fax to 888-403-0935.

## **Congressional Contacts 2012**

#### **JOE REID MEMORIAL CCP Scholarship Winners**

IAMIC offers scholarships for the expenses incurred when traveling to Washington, D.C. to assist with lobbying efforts on Capitol Hill. IAMIC would like to thank *Forreston Mutual* for donating to the Scholarship Fund in order to send a third applicant this year. Congratulations to this year's winners! �

Katrina Boliard — Nokomis Farmers Mutual John Elston — Town and Coountry Mutual Loren Wilkin — Town and Country Mutual





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# IAMIC Members who participated in CCP 2012

(listed alphabetically)

Jack Baylor

Mike Beaird

Katrina Boliard

Eden Bruning

Lyle Bruning

John Elston

Ali Gerlach

Andy Gerlach

Cindy Hiltenbrand

Cece Jeckel

Bob Jeckel

Roger Jenisch

Chuck Jones

Kent Kindelsperger

Jeff Murphy

Jackie Rakers

Kelly Reagan

Doug Sullivan

Linda Wares

Loran Wilken

Karen Williams

# Credit Scoring and Insurance Myths and Facts

by Mica Cooper AISUS

Agents often complain

that credit unfairly targets

risks with poor credit.

The reality is that credit

scoring is a variable that

identifies where a risk falls

within a group of risk, poor

or good. It is impartial,

does not use race, religion,

or other such factors.

The use of credit scoring models in insurance is debated and widely discussed with a lot of differing opinions. It came into general use in the insurance industry in the late 1990's with Progressive. Progressive was able to use a proprietary scoring model to achieve a pricing/loss ratio advantage over its competitors. Since that time, it has been widely accepted and rules regarding its use put into adopted.

Following are some general misconceptions and facts about credit scoring.

Myths:

- Credit scoring can be used to predict losses on individual policies
- Credit scoring is unfair
- Credit scoring is difficult to implement
- Credit scoring is expensive
- Credit scoring will reduce the number of incoming policies

Agents often complain that credit unfairly targets risks with poor credit. The reality is that credit scoring is a variable that identifies where a risk falls within a group of risk, poor or good. It is impartial, does not use race, religion, or other such factors.

Most Mutuals will find credit scoring easy to implement. It takes just a couple of minutes to check several risk scores, see if there is unusual activity, or bankruptcies. The cost per provider is different and can run from \$1.85 to more than \$3.00 depending on the type of data returned. There are fraud alerts and other checks that can be done as part of the process.

If credit scoring is used, it will not reduce the number of incoming policies. It will however, give the underwriter more information on a risk and allow them to make a better decision. Facts:

- Credit scoring is used by almost all carriers
- Credit is proven, per the 2004 Texas landmark study
- Credit is a good indicator of 'pooled' risk
- Credit is being used to adversely select against Mutual companies
- Credit is being used by a few Mutuals in Illinois

Most carriers started using credit scoring around 2002. This was the time when getting credit from providers over the internet became very easy and cheap. Carriers quickly found a correlation between credit and losses. This correlation was proven beyond a shadow of doubt in the 2004 Texas landmark study for the Texas legislature. It had over 2,000,000 individuals in the study. It has been scientifically peer reviewed and stood the test of time. That study shows a very clear correlation between lower scores and higher risk. The study is not a reflection of individual risk, but of pools of risk.

Today, almost all carriers that are allowed to use credit scoring in automobile, homeowners, and other lines of business. Carriers going to credit scoring have seen rate increases for lower scored groups of 200% or more. This business walks and is shopped, frequently to a Mutual who will write the risk for the exact same price as their best scored risk. This is a tool that is legal for Mutuals in Illinois to use, but very few do.

Mutuals can use credit scoring to prevent rate disparity. When a carrier gives a rate of \$2,500 for a low scoring risk, the Mutual can do the same. In most cases, Mutuals will give the same risk a rate of \$1,000 or less. This is rate disparity. It means the Mutual is collect-

ing significantly less premium for the same risk. By using scoring, the Mutual can correct this disparity and collect more premium. Scoring will also give the underwriter a 'heads up' that a more crucial review of the application and risk needs to take place. The overall effect of properly used scoring is to collect more premium and reduce claims severity and frequency.

The use of credit scoring in insurance has the ability to predict loss ratios for a pool of risk. Because of this, and the corre-

sponding fact that a book of insurance can be segmented to provide better rates for higher scores, and more premium for those risks predicted to have more losses, credit scoring is a valuable tool. It will not make or break an insurance company. It can, however, when properly applied, provide the small nudge to keep a company profitable, help preserve premium reserves, and improve loss ratios for reinsurance companies.

Ask your reinsurance companies if you should use credit and take note of their answer! ❖

The overall effect of properly used scoring is to collect more premium and reduce claims severity and frequency.

#### **REFERENCES**

Texas Credit Study http://www.tdi.texas.gov/reports/documents/creditall04.pdf



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# **Licensing Application Process** Update

Please see the bulletin below from the Illinois Dept Of Insurance. As of Aug 1, 2012 ALL Producer Licensing Applications and Renewals will be online. There will be no paper applications accepted. Producers will still receive a notice of their license expiration in the mail. Please include in all publications a few times in the months leading up to August. ❖



TO:

# Illinois Department of Insurance

ANDREW BORON

PAT QUINN Governor

ALL ILLINOIS INSURANCE PRODUCERS/BUSINESS

ENTITIES AND INSURANCE COMPANIES

ANDREW BORON, DIRECTOR FROM:

March 15, 2012 DATE:

RE:

IMPLEMENTATION OF MANDATORY ELECTRONIC APPLICATION

PROCESS FOR PRODUCER/BUSINESS ENTITY LICENSES

#### 1. PURPOSE

The purpose of this bulletin is to advise insurance producers/business entities and insurance companies of the change regarding new and renewal applications submitted to the Illinois Department of Insurance. Effective August 1, 2012, the Department will process all new and renewal producer/business entity applications electronically and will no longer mail applications. Paper applications postmarked after August 1, 2012 will not be accepted.

# 2. BACKGROUND AND DEPARTMENT POSITION

The Department has offered the online application service to insurance producers and business entities for several years and this method has proven to be expeditious, efficient and time saving. The electronic processing will eliminate the issues associated with last minute application submissions as licenses can be applied for online at any time.

Insurance producers renewing their licenses are required to complete their CE requirement no later than 1 month prior to the license expiration date to allow time for the provider to submit proof of completion to the Director as per 50 Ill. Adm. Code 3119.45 (b)(1). Late submission will result in the payment of the penalty fee.

Questions regarding this bulletin should be directed to Kelly Kruger at kelly.kruger@illinois.gov

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# Doing Our Part



A hand-full of states require insurers to determine if a claimant owes child support prior to making a payout.

The word is spreading; insurers are helping children across the nation! Private insurers, third party administrators (TPAs) and self-insured companies are joining the Federal Office of Child Support Enforcement's (OCSE) Insurance Match (IM) program and the children and families throughout the nation are reaping the benefits! As of October 20, 2011 24 of the 53 states and territories participating in OCSE's IM program reported nearly \$8 million in child support collections.

The children need you! Support owed to our nation's children was over \$107 billion in 2010. Recognizing the need for additional tools to assist state child support enforcement agencies collect past-due child support, Congress passed legislation in 2006 (Section 452(1) to be redesignated (m) of the Social Security Act) that authorizes OCSE to compare information concerning individuals owing past-due support with information maintained by insurers (or their agents) concerning insurance claims, settlements, awards, and payments.

What is the IM program? This data match program is a partnership with state child support enforcement agencies, the insurance industry and OCSE. OCSE designed, developed and implemented this efficient, cost effective and centralized program to furnish information resulting from the data matches to the state agencies responsible for collecting child support. The legislation authorizing the data match also includes a nonliability provision for participating insurers.

Why should insurers participate in OCSE's IM program? Families benefit from the partnership between OCSE, states and the insurance industry. From 2010 to 2011 volun-

tary reported collections increased over 74%!

A hand-full of states require insurers to determine if a claimant owes child support prior to making a payout. The OCSE IM program helps insurers meet these requirements in all states except Massachusetts. State specific information is available at https://extranet.acf.hhs.gov/irgps/stateMap.do.
Click on the state then click on *M, Insurance Match*.

#### How can your company participate?

OCSE offers several options:

- Insurers (or their agents) may match directly with OCSE or through the Insurance Services Office (ISO) ClaimSearch database.
  - At least monthly, OCSE can send a file containing information about individuals who owe past-due child support to insurers (or their agents) to compare with claims, payments, settlements and/or awards.
  - The insurer (or their agent) can send OCSE a file containing information about insurance claims, settlements, payments and/or awards that will be compared to individuals who owe pastdue child support.
  - The insurer can enter information into a web application about individuals who are eligible to receive a lump-sum or other type of payout.
- If you are interested in participating in the insurance match program, please contact us at insurancematch@acf.hhs. gov.
- Insurance companies may contact the Insurance Services Office (ISO) to participate in the Federal Office of Child Support Enforcement's (OCSE) Insurance Match Program by contacting ISO's Customer Service by phone, 800-888-4476, or by email njsupport@iso.com. ❖

Additional information is available at http://www.acf.hhs.gov/programs/cse/newhire/insurance/insurance.htm or you can contact Erica Holliman at 202-401-5730 or erica. holliman@acf.hhs.gov.

## IAMIC 2012 Calendar of Events





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