

**Southern 1752 Club  
64<sup>th</sup> Annual Meeting Minutes  
April 23, 2003  
Holiday Inn, Southern Pines, NC**

The meeting was called to order by our President, Jeff Brownfield.

Roll call was conducted by Vice President Barry Green, with 24 members responding as present.

Brian Pierce, Treasurer, gave the **Treasurers Report**, announcing we had \$2095.44 in the checking account and \$1604.44 in the savings account. He requested that anyone who had receipts for expenses and needed reimbursement to provide the receipts today so he could go ahead and write checks.

AD Stuart reported that he had sent letters to follow up with new members and also had dinner with Mike Kerger recently. He reported that Mike was doing just fine and regretted not being able to attend.

Jeff then reviewed the officers and executive committee members with the members.

**Old Business-**

Jeff reminded everyone about our website, located at [www.southern1752.org](http://www.southern1752.org) and reviewed some of the information posted on it. He mentioned the scholarship application being online and encouraged us to use it. He also pointed out that the By-Laws and History of the club were posted on the website.

Jimmy Hall will be doing the officer installation tonight at the banquet.

AD Stuart reported he had a couple of prospects for the club from Grain Dealers. Chuck Crews reminded everyone to follow up with prospective members to make sure they know about the upcoming meetings. There was then some discussion on offering a free dinner to anyone who had 3 new members recruited and inducted at the April 2004 meeting in Southern Pines.

There was also some discussion about designing and creating a Southern 1752 lapel pin for members to wear to help promote the club. We had something like this in the past, but the cost became prohibitive. Chuck Crews agreed to look into this possibility further upon receiving information from others. Overall, the members thought it was a good idea and may be accomplished for less cost now than in the past.

**Barry Green, Vice President**, read the minutes from the October 2002 meeting.

Jeff Brownfield passed out information he had obtained from the NC Insurance News Service including links on the internet to websites that might be of interest to the members.

**Barry Green read the VA Legislative Report:**

New laws that have been passed or are under consideration include:

Legislation regulating the placement and other requirements of rear taillights on vehicles.

HB1905 authorizing agents and brokers licenses to bailbondsmen.

HB2008-extending probation on DWI convictions until all restitutions are paid.

HB2535-prohibits non renewal based on credit report unless the report is within 180 days of the non renewal.

There was some discussion of the uses of MVR reports. It was reported that there are six recent court cases against agents who provided MVR information to employers regarding their employees. It was offered that the best alternative is to have the employers request MVRs from their employees. There was also some discussion about VA considering banning the use of credit scoring, but the state determined not to do so.

**Mike Senuik provided the SC Legislative Report:**

It was announced that Gilly Dotterer will be on Executive Board this year. A task force on coastal business has been established and is conducting a study to address availability of coverage. It may lead to a wind pool similar to what NC has now. SC may also begin allowing file and use on HO like they have on Auto and Commercial Lines. They may also start allowing more than one rate change in a 12 month period. They are tightening up on collections of the \$35 fee charged to companies for resident and non-resident licensed agents.

**Arch Hamilton provided the NC Legislative Report:**

NCRB is initiating a 15% rate decrease on 7/1 for Personal Auto. Recent bills introduced in the NC General Assembly include:

SB966-requires insurers to implement safeguards for the protection of personal information, pursuant to the provisions of the GLB Act.

SB769-An act to establish rate setting and rate-approval methods for the Beach Plan homeowner's policy and provide incentives to beach and coastal area homeowners who establish and maintain risk prevention and mitigation measures.

SB596-prohibits insurers from basing standards or rating plans for PPT motor vehicles on the credit history or rating of persons insured.

H771-limits the use of a person's credit history for discounting rates on auto and homeowners insurance and to prohibit the use of a person's credit history as the sole basis for terminating coverage.

SB632-lowers the number of agricultural workers that must be employed in order for agricultural employment to be within the purview of the workers compensation act.

The club then recognized a new member, Mr. Gary Helton, CPCU, Vice President Marketing, of Virginia Mutual Insurance Company. He was inducted by A. D. Stuart.

Jeff Brownfield then recognized all our past presidents, seven were in attendance at the meeting.

The next meeting is tentatively set for October 7 and 8, 2003 in Greensboro at the Radisson.

AD reported that he had recently seen John Pennington who was now an Erie agent in Greensboro. We were glad to hear that John was doing well.

Charlie Padgett reported that he had seen Marion Simmons recently and Marion was moving to Arkansas. He also mentioned that PA Lumbermens products are available to agents without a contract.

In a discussion regarding promotion of the club, Mike Senuik pointed out that we could sponsor events or functions such as at IIANC meetings or the Young Agents Conferences, etc. Chuck Crews pointed out that we used to have a publicity committee.

AD also mentioned that IAVA has contacted the VA PIA about a merger. They have a joint meeting planned next year anyway.

Jim Bost mentioned that the April 2004 meeting would be our 65<sup>th</sup> and there was some discussion about having a celebration to recognize the anniversary.

Our guest speaker was **Stuart Powell**, from IIANC. Stuart spoke to us about three topics that are of great importance to companies and agencies. The three topics covered were Mold, the Terrorism Act, and Certificates of Insurance.

### **Mold**

The term "mold" actually describes many species of fungus. Some of these species are good, some are bad and only a few have negative consequences to humans. Some humans are more susceptible to molds than others. For years, direct damage from mold has been excluded, but forms did not really address consequential losses (such as mold developing after extinguishing fires, accidental overflows, and wind driven rain). These consequential losses became the basis for many bad faith claims as companies were accused of improper remediation of these types of losses. The situation has been furthered by the fact that newer structures are tighter and more susceptible to mold problems because the HVAC systems are circulating the same air.

Stuart went on to explain the treatment of mold claims in 3 forms.

Under the Homeowners program, the HO 32 33 05 02 endorsement (mandatory in NC) adds a new exclusion under Section I for mold including seepage or leakage for "weeks, months and years". The form then gives back limited coverage for a limit of \$5,000.

Under the Commercial Property (CP 10 30 04 02) form, there is a new exclusion for mold with two exceptions, one for "fire and lightning" and one for claims arising from "specified causes of loss". There is also a new additional coverage providing Broad form perils for direct damage, cost to tear out and replace, and testing. The limit for this additional coverage is \$15,000, which is an annual, aggregate sub-limit, not a "per loss" limit. There are also changes in this form for the Business Income and Extra Expense losses. A suspension of operations for fungus only is limited to 30 days coverage. If a suspension is prolonged due to fungus, then the period of restoration has a 30 day extension.

The Commercial General Liability program has some new (optional) endorsements. The CG 21 67 excludes mold damage under Coverage A (bad mold) and B (any mold). There is a limited buy back endorsement as well, CG 24 25 that applies only to Coverage A and has a scheduled amount as the sub limit.

#### Terrorism

Before 9-11-01, human induced damage to property was generally considered to be either from war or vandalism. Although terrorism was prevalent long before 9-11, it became much more difficult to define.

The Terrorism Risk and Insurance Act, passed in November 2002, created a definition of terrorism. This Act, which expires in 2005, identified the following as characteristics of terrorism under the act:

- Causes an aggregate loss of greater than \$5 million
- Included violent act(s) against human life, property or infrastructure
- Effort to coerce civilian population or to affect policy or conduct of any government
- Caused by a foreign interest

Terrorist acts that meet these criteria can fall under the TRIA. If certified as being under the TRIA, the insurance industry will be able to recover from the federal government on losses up to \$100 billion.

The Act also has provisions for non-certified acts of terrorism that the TRIA does not cover. These acts are typically below the \$5 million loss threshold and injure less than 50 people.

Coverage options for carriers include excluding all forms of terrorism, covering only "certified" acts, cover both "certified" and "non-certified" acts, coverage for all acts except biological or chemical, or not having an exclusion for terrorism at all.

#### **Certificates of Insurance**

There are increasing demands from Certificate Holders for modifications to the standard Acord certificate. They are requesting coverage modifications, notice modifications and warranties. Insurance companies are reluctant to honor many of these requests as they generally increase exposure to loss. There are also regulatory considerations.

Agents are generally stuck in the middle, as they want to try to keep their client happy, but cannot act outside the scope of their authority. There are also E&O exposures should they choose to do so.

No further new or old business was submitted.

Jeff Brownfield adjourned the meeting.

Respectfully submitted,  
Arch Hamilton, CPCU CIC  
Secretary

