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# NY Connection

magazine

Fall 2016 • Issue 16

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**1-IN-1,000 YEAR  
FLOODS  
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**Because NYIA's focus is solely New York,  
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timely and relevant information on  
legislation, regulation and other issues  
affecting the industry in the state.**

NYIA is the oldest state property and casualty insurance trade association in the nation, tracing its roots back to 1882. The current association was formed in 1997 by the unification of the New York Insurance Alliance and the New York State Insurance Association. As the industry changed, stocks, mutuals and cooperatives had far more issues in common than they did differences. It became apparent that the property and casualty insurance industry would be best served by a single voice in New York.

**That voice is now NYIA.**

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## Chair's Message



It seems like it has been the year of cyber. NYIA started the year by convening the agent groups to find common ground and develop best practices for our industry. This morphed into the *Guiding Principles to Advance Information Security in New York* initiative—take a look at [nyia.org/guidingprinciples](http://nyia.org/guidingprinciples).

Then in September the New York State Department of Financial Services (DFS) released their long-promised regulation on cyber security. And, as we feared, the proposal as written is prescriptive. The association has spent the past couple of months looking at the regulation from every angle and working with members and a variety of other impacted organizations to present our strongest arguments on why the proposed regulation needs to be significantly changed. The effective date is currently January 1, 2017 (another aspect that we have indicated is not workable). While we are strenuously advocating for a later effective date (along with a longer implementation period), the current date means we should hear by the end of this month how DFS plans to proceed. NYIA has been told that the agency received hundreds of separate comments, amounting to what is easily thousands of pages. Our hope is DFS takes the time to digest this outpouring of information and make the changes necessary so the regulation is risk-based and allows for flexibility and scalability.

While I could spend this entire column talking about cyber, I would rather talk about our overall work this past year and what is ahead in 2017. In my view this year was full of change, but not nearly as tumultuous as some recent years in the New York marketplace. We have a new Superintendent at DFS and many new leaders in the insurance division. NYIA has already begun developing relationships with these individuals, and we are looking to enhance our work with DFS in 2017. One area of focus will be not only having greater dialogue with regulators, but working to make these conversations more productive and action-oriented.

We were also fortunate to have a legislative session that was relatively quiet. Now there were many fires to put out, but unlike most past sessions, no huge issues erupted that resulted in a five alarm fire. We think our early efforts to meet with legislators and staff on issues of importance to the industry paid off, and session ended with the industry being left relatively unscathed.

At this time each year there is great speculation on what the next session will bring. Legislators will return in early January, coming from every corner of the state and bringing with them a wide range of viewpoints. There will be dozens of new legislators for NYIA to meet. This provides new education opportunities and of course there is always a need for reeducation of those who are not new to their seats.

We are certain to be busy on both the legislative and regulatory fronts, but as always, NYIA is preparing for whatever opportunities and challenges arise. We know that no matter what, we can count on each other to address whatever issues we face.

A handwritten signature in black ink, appearing to read 'S Coffey'.

Steven Coffey  
NYIA Chair

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## President's Remarks



My favorite pumpkin lattes are already off the menu. They've quickly been replaced with foamy peppermint flavored beverages served in festive red and white cups decorated with snowflakes. The holiday season is upon us and this is the time of year people are reminded to reflect and give thanks. They are encouraged to be generous and pay it forward. They count their good fortune and often openly post pictures on Facebook and Twitter with the trendy caption #blessed. In the spirit of the season, I would like to share my list of things I am thankful for (in no particular order):

### #PostElectionTV

I am so very thankful that the elections are finally over and television commercials can now return to insurance advertisements (oh, except for the ads that portray policyholders as unsatisfied and assert that most insurers don't pay claims properly).

### #NYIAmembers

I am thankful for all the members who make up this amazing association. We have many talented and extremely smart individuals who volunteer their time and expertise.

### #NYIAstaff

I'm grateful every single day that I get to work with such an awesome group of people (aka Team NYIA). Some days the positive energy is almost tangible. Fresh ideas continue to flow and I love watching how they inspire each other. Brainstorming is filled with ample opportunity to be creative and there is almost always a fair amount of laughter. I like the fact that we continue to take calculated risks and that the staff and members are always open to trying new programs and venues.

### #NYIAoffice

With snow falling and a wet winter in store, I am especially thankful to be conveniently located one block from the New York State Capitol, the Legislative Office Building and the Department of Financial Services Albany office. The small NYIA office expansion has given us a new conference room with plenty of sunlight. We are fortunate to now have additional space so that any members in town lobbying will have a place to work.

### #NYIAboard

I could not ask for a better board of directors. They truly have the best interest of the association members in mind as they set the direction of the organization. The recently revised and refined strategic plan provides a clear path and their leadership has been invaluable in guiding staff and providing the association with focused priorities.

### #Family

Looking forward to taking some time off to relax by the fire and binge on our favorite family programs while the holiday lights twinkle on the tree. I still prefer a pumpkin latte, but will sip down whatever it is the holidays have in store.

Ellen D. Melchionni, CAE  
NYIA President

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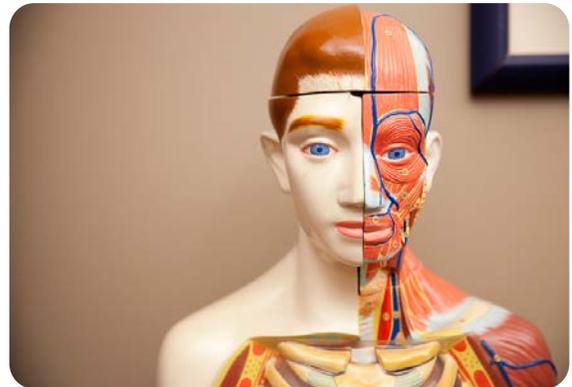
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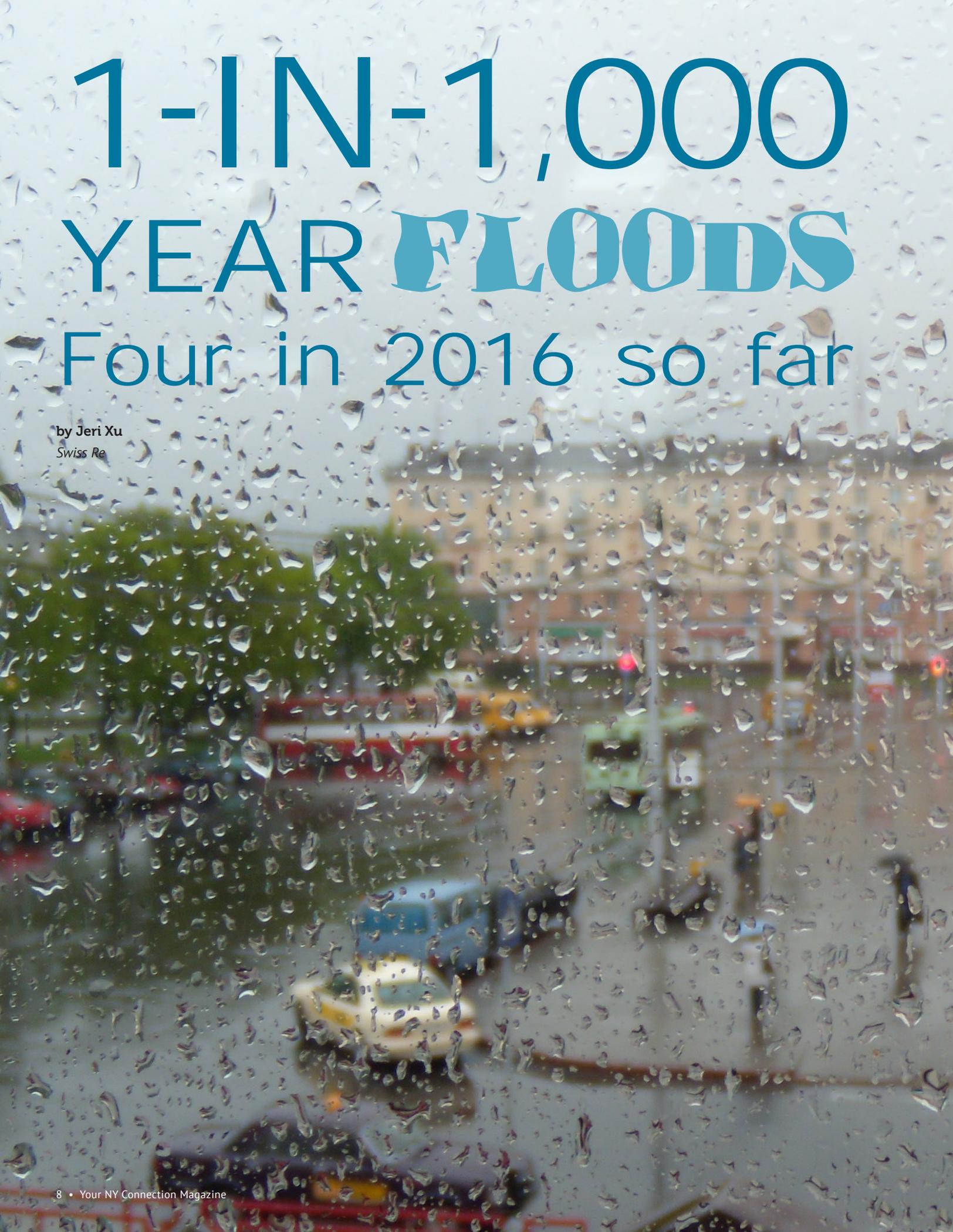
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# 1-IN-1,000 YEAR FLOODS

## Four in 2016 so far

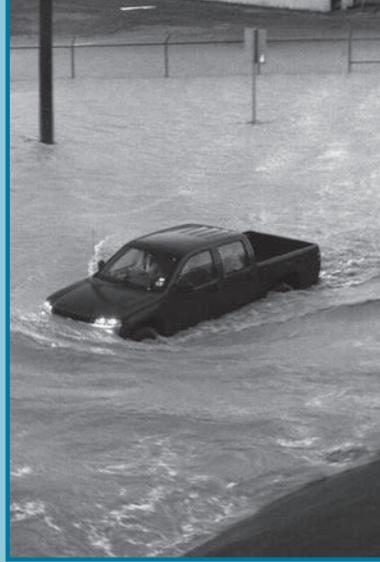
by Jeri Xu  
*Swiss Re*



W

hat is going on?

Having lived in Baton Rouge for most of my childhood, I was saddened by the recent flooding across southern Louisiana. It is surreal to see pictures of familiar streets covered by water. Many people did not imagine that a flood of this size, considered a 1-in-1,000 year event, would occur in their lifetime. So far this year, three other floods in the United States have also been called 1-in-1,000 year events. At first glance, it can seem astoundingly improbable that such extreme events could all occur in a single year. Yet, these events have affected



hundreds of thousands and some lost everything they had. In the face of such tragedy, it's good to remind ourselves what a 1-in-1,000 year event means in the context of the flood peril. What exactly defines a 1-in-1,000 year flood? Is it the amount of rainfall? River gauge height? Flow rate? To help provide some context, let's take a look at the 1-in-1,000 year events that have occurred this year.

A few months ago in mid-April, massive amounts of rain fell in the Houston area—in northwest Harris County, as well as neighboring Fort Bend County and Waller County. Most of the rainfall occurred within one day, resulting in flash flooding that caused eight deaths and damaged more than 7,000 buildings.

In June, West Virginia had record amounts of rainfall, causing 23 deaths and destroying 1,200 buildings. Total recovery may take years, and even now, residents are still displaced and businesses are still closed, leaving many people unemployed.

On the evening of July 30, parts of Howard County, Maryland experienced extreme rainfall within a short period of time. The flooding damaged over 250 buildings, killed two people, and resulted in more than 120 people needing to be rescued.

Earlier this year, parts of southern Louisiana were inundated with 4 trillion gallons of water. This flood was caused by excessive rainfall and has been called the worst flooding in Louisiana since Katrina. The flood has killed at least eight people, prompted 30,000 rescues and damaged 40,000 homes. Residents who have been displaced are seeking temporary homes in local shelters, and emergency rescue teams worked tirelessly to keep people safe.

“ Earlier this year, parts of southern Louisiana were inundated with 4 trillion gallons of water. This flood has been called the worst flooding in Louisiana since Katrina. ”

Calling an event a “1-in-1,000 year occurrence” helps quantify its significance and rarity. Let's clarify a few points. First, a 1-in-1,000 year event suggests a probability: such an event is expected to occur with 0.1% likelihood. Over a thousand years, you would expect to have one event; but there could

be more than one, or even none. Second, in these four cases, the 1-in-1,000 return period refers to the amount of rainfall over a given duration, as opposed to a measure of damages which is usually how underwriters and insurers look at these events. Finally, a 1-in-1,000 year event is defined relative to a specified region. Because we have more than 5,000 official rain gauges in the US, statistically we might expect to see five “1-in-1,000” events each year.

The National Oceanic and Atmospheric Administration's (NOAA) Atlas 14 allows you to point to a specific location in the United States and track the precipitation frequency by duration. The National Weather Service measured the rainfall for various locations across southern Louisiana over a period of three days. Livingston was one of the hardest hit parishes, with 25.5 inches of rain in 72 hours. According to Atlas 14, the 1-in-1,000 year rainfall over a 72 hour period for Livingston is 22.3 inches. Since the actual amount of rain eclipsed this mark, the event could be called a 1-in-1,000 year or greater rainfall event. Zachary, a city north of Baton Rouge, experienced over 26 inches of rain in 72 hours, which is also above the 1-in-1,000 year rainfall amount (22.4 inches) for that area. So much rain fell that rivers were also at an all-time high, overflowing to cause even more damage in Louisiana.

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contributed to the flood. First, there were record amounts of rainfall, more than a foot in a day in some areas. The return period can vary significantly by location. According to Harris County's flood report, the 12-hour rainfall in the eastern parts of the flooded regions was considered to occur with 1-in-50 year probability, while western regions experienced rainfall with a probability of 1-in-1,000+ years. As an extreme example, the city of Pattison, Texas had more than 23 inches of rain fall within 14.5 hours and can be considered a 1-in-10,000 year occurrence for that location. Second, the rainfall raised the elevation of several streams which overflowed and magnified the flooding. The flood report shows that certain river gauge elevations reached levels considered to happen with 1-in-500 year frequency. While the overarching 1-in-1,000 year label was applied to the whole event, the reality is more nuanced.

In the case of Ellicott City, Maryland, the measured rainfall on July 30 was 6 inches within a two hour time period. The 1-in-1,000 year rainfall for a two-hour duration is only 5.45 inches. The significance of this flood was the intensity of the rainfall. Because the 6 inches of rain in Maryland fell within such a short time period, the water was not able to drain quickly enough. Combined with the fact that the city is at the bottom of a hill, the resulting property damage was amplified.

The same method can be followed to determine the return period for the West Virginia flooding. In Lewisburg, Greenbrier County, more than 9 inches of rain fell within 24 hours. Atlas 14 suggests that for a 24-hour duration, the 1-in-1,000 year rainfall is 7.2 inches. Rainelle, another city in Greenbrier that incurred a lot of damage, experienced 7.5 inches of rain in 24 hours, and the 1-in-1,000-year rainfall for that location is 7.17 inches. The data for both these cities suggests the West Virginia rainfall was a 1-in-1,000 year occurrence.

NOAA is still preparing the Atlas 14 precipitation map for Texas, which is expected to be released in 2018. The flood in April has no single return period associated with it, because the flooding affected a vast area to differing degrees, and there were multiple components that

In the beginning we entertained the likelihood of four significant floods each associated with the term "1-in-1,000 year event" happening in one year. The chance of all four happening is not as rare as we might have thought—it is definitely not one in a trillion (or 1/10,004). The actual answer is not so simple, but we now know that a flood return period is tied to a specific occurrence (e.g. the rainfall intensity of 6 inches in 2 hours) in a given location (e.g. Ellicott City, Maryland) in a given year. The chance that you'll see an event of a similar magnitude in any city or county in the United States is a lot bigger, because there are numerous combinations of regions and possible rainfall intensities.

So now that we know these events are not as rare as one might think, ask yourself this: are you prepared?

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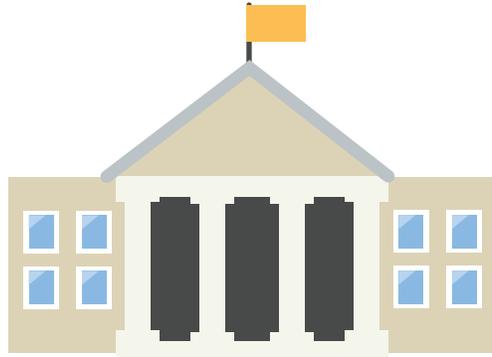
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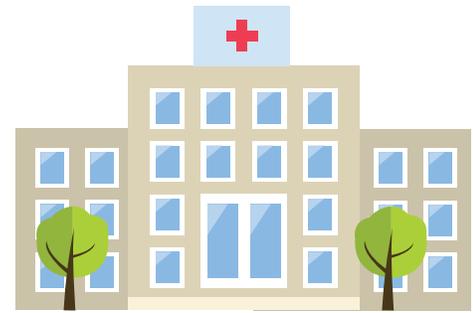
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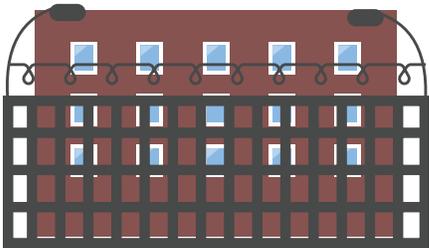
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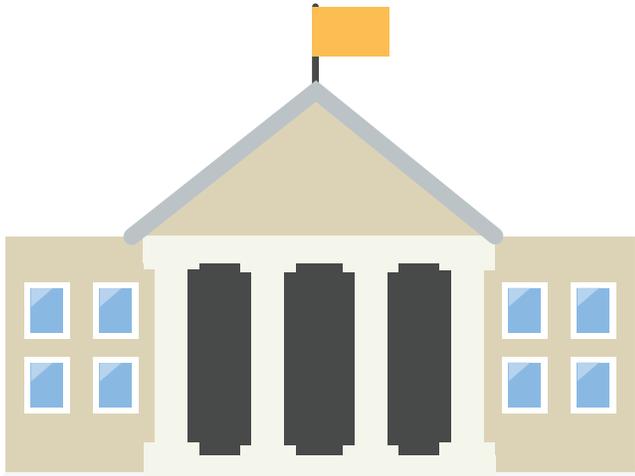
by Marc D. Craw, Esq.

*New York Insurance Association, Inc.*

Given that New York is the fourth largest state in the United States with more than 19 million residents, the state's local governments and school districts are large entities with extensive property and casualty insurance needs. This article will examine the current market for local government insurance in New York and trace its history back to the mid-1980s when an insurance crisis for municipalities and school districts occurred that led to dramatic changes in the provision of insurance to local governments. This is important to understand because it explains the current system where a few very large quasi-public entities such as the New York Municipal Insurance Reciprocal (NYMIR) and the New York Schools Insurance Reciprocal (NYSIR) dominate this market.

Local governments and school districts began to experience problems in both the affordability and availability of property and casualty insurance (primarily in casualty or liability insurance)

in the early 1980s. As a result, Governor Mario Cuomo acted in January 1986 by establishing an Advisory Commission on Liability Insurance. The advisory commission was charged with determining the nature and extent of the liability insurance problem, identifying the forces behind the availability and affordability problems, and recommending legislative, regulatory or policy solutions as they deemed appropriate. To give an example of the problem, the New York State Conference of Mayors found through a survey of its members that the average increase in municipal liability insurance premiums between 1981 and 1984 was 94 percent with the average cost increasing by another 111 percent between 1984 and 1985. A similar survey conducted by the New York State School Boards Association determined that the costs for general liability insurance rose by 88 percent in 1985 to 1986 and this increase was preceded by a 21 percent increase in the previous year.



“

... New York municipalities and school districts enjoy some heightened protection from liability that can tend to make their risk exposure slightly more favorable than that of private sector businesses.”

One of the major recommendations made by the advisory commission, and the one that is most pertinent to New York's local governments and school districts, was the authorization for local governments and school districts to establish statewide reciprocal insurance associations for their respective organizations. This recommendation was implemented when Chapter 220 of the Laws of 1986 took effect, amending New York Insurance Law section 6102 to allow 25 or more New York local governments or 25 or more school districts to form statewide reciprocal insurers. New York school districts were the first public entities to take advantage of this law, when 54 school districts banded together to form the New York Schools Insurance Reciprocal in 1989. Local governments followed suit, founding the New York Municipal Insurance Reciprocal in 1993.

Another large quasi-governmental insurer that began in the 1980s, but not out of the liability insurance crisis, is the Public Employer Risk Management Association (PERMA). PERMA provides workers' compensation coverage for municipalities and volunteer fire and ambulance worker benefits. PERMA began in 1982 and has become the largest self-funded municipal workers' compensation pool in New York. There are currently over 550 local governments and fire districts (both paid and volunteer) that use PERMA for their workers' compensation coverage.

These three entities are competitors in the New York municipal insurance and workers' compensation markets, but they are not the only ones. Private insurance carriers also write coverage for local governments, school districts and fire districts. Delving a little deeper into the financial numbers for NYMIR and NYSIR provides some good insight into the size of these insurance markets in New York. NYSIR's 2015 financial report indicated that the reciprocal has net premiums of nearly \$60 million, a surplus of \$159 million and 352 members. According to the latest financial numbers available for NYMIR, obtained from their 2011 financial examination, the reciprocal wrote net premiums of nearly \$40 million and reported a surplus of nearly \$54 million.

It is important to keep in mind that New York municipalities and school districts enjoy some heightened protection from liability that can tend to make their risk exposure slightly more favorable than that of private sector businesses. For example, New York General Municipal Law (GML) section 50-e stipulates that if a person wishes to sue a local government for an injury that person incurs, the person must file and serve a notice of claim against the local government within 90 days after the claim arose. Furthermore, such a person must then file and serve their lawsuit against the local government within 1 year and 90 days (455 days) after the claim arose, pursuant to GML section 50-i. As we are painfully aware, no similar requirements exist with private insurance. The only stipulation in place is that a lawsuit must be filed within the statute of limitations of three years from the occurrence of an injury.

In addition, whenever a lawsuit is brought against a local government for injuries arising out of a defect in a highway, there are provisions of state law that permit a local government to avoid liability. In the case of a city, GML section 50-g bars a lawsuit against a city for a defective highway condition unless the city receives prior written notice of a highway defect and fails to repair the defective condition within a reasonable time after receiving the notice. Nearly identical provisions are contained in Town Law section 65-a for towns, Highway Law section 139 for counties and Village Law section 6-628 for villages.

While there are large reciprocals and a self-funded insurance pool with certain advantages competing in the municipal insurance and workers' compensation markets, they do not enjoy a total monopoly. This fact demonstrates that private insurance carriers can and do write in this interesting market—one that has some unique nuances as a result of state laws enacted over the years.

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# *Gas on the Go*

## Mobile refueling/on demand fuel delivery

by Sue C. Quimby, CPCU, AU, CIC, CPIW, DAE  
MSO, Inc.

The costs of refueling, both in time and cost of the fuel, represent a significant budget item for fleet operations including truckers, limo and taxi cab services, delivery services and buses. In addition to the cost of the fuel itself, there is the lost time and mileage to get to a station and pump the fuel rather than providing goods and services. Keeping track of the expenditures can also be difficult. Mobile refueling is one solution that can mean a substantial savings in time and money.

Mobile fueling is not a new concept or practice. Fleet refueling has existed for many years. A fuel service comes to the garaging site for a company with a tanker truck and refills the gas tanks of all of the vehicles. Onsite refueling services are available for diesel, compressed natural gas and other alternative fuels.

In addition to scheduled fleet refueling, technology now makes on demand fueling, or “Uber for Gas” a reality for individuals. This is where regulations need to be updated, and underwriting questionnaires need to be revised to address the potential for onsite

refueling operations. At some point in time, we have all started off the day running late. You have a meeting first thing in the morning and have to rush to get there on time. Halfway there you realize your fuel tank is almost empty. You don't have the time to stop for gas and make it to work on fumes. Instead of worrying if you can make it to a gas station after work, you download an app to your smartphone and plug in your vehicle's location, description and amount of fuel needed along with payment information. A service comes to your car and pumps the fuel. Payment is transferred electronically.

There has been a dramatic increase in these mobile fueling services. This is a relatively new phenomenon, with companies sporting names like Gas Ninjas, Filld and Yoshi attracting serious startup money to expand in California and Oregon. However, there are also on demand fuel services further east, in Houston, Nashville, Atlanta, Miami and as far north as Washington, D.C.

Safety issues present a significant concern. The practice of onsite mobile refueling results in an increased fire and explosion hazard

and represents a challenge to both underwriters and claims operations. In addition to standard automobile/truck insurance, mobile refueling companies must purchase liability coverage for potential environmental, property damage and bodily injury exposures. Imagine a truck, filled with perhaps thousands of gallons of fuel in either tanks or separate containers, driving into a parking garage under a high rise residential or office building. In October 2015, the Fire Department of New York (FDNY) issued updated regulations for the handling and storage of Liquid Petroleum Gas (LPG) and Compressed Natural Gas (CNG).

Cities like San Francisco and Santa Clara, California have banned these services pending further regulatory review and the development of specific standards that address issues such as:

1. What kind of training do the drivers have? Are there any certifications at all?
2. How much gas are these trucks going to be carrying in residential neighborhoods or near schools?
3. Where are they allowed to fill up, in a parking garage or on a public street?



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The new services have been relying on the International Fire Code related to equipping their trucks, driver training, amount of fuel carried and operations during the fueling. However, states like California wanted the applicable National Fire Protection Association (NFPA) Code to provide guidance for on demand fueling operations.

The NFPA is in the process of revising the standard, NFPA 30A: Code for Motor Fuel Dispensing Facilities and Repair Garages, that provides this guidance.

NFPA 30A addresses safe practices for handling of flammable and combustible fluids in repair garages, fuel dispensing operations and marinas. The code goes into great detail on fuel tanks, fuel dispensers, and sources of ignition, giving specific requirements for building construction and building services to reduce the chance of fire or other injury to a minimum. It also addresses new fuels such as CNG & LNG (compressed and liquid natural gas) and hydrogen. Electrical systems, elements of a clean environment as well as fuel dispensing on farms or remote sites are addressed in the code.

NFPA 30A allows the dispensing of Class I and Class II liquids from tank vehicles under specific guidelines. Class I liquids would be gasoline; Class II liquids would be diesel fuel. It specifies this would be done on sites for governmental, industrial and commercial operations. It is intended for controlled locations, for vehicles connected with the business. It is not authorized until the "Authority Having Jurisdiction" (AHJ) conducts an inspection and gives its approval. This could be the municipality, state or insurance company, or all three. The tank vehicle, hose and nozzles are addressed. Fueling at night is permitted only if the AHJ deems that it is adequately lit. Finally, expansion space for fuel is addressed to prevent overflow.

Nils Deacon, senior inspector for MSO, is a member of the technical committee for NFPA 30A. "The technical committee has deemed it important enough as an emerging issue to devote a new chapter to it, Chapter 14 On-Demand Mobile Fueling," Deacon said. "This does not happen often in the code and standard revision process. The scope of the new chapter shall apply to the retail practice of fueling motor vehicles of the general public while the owner's vehicle is parked and might be unattended."

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can carry a total of 1200 gallons in a variety of tanks, but the tanks can be no greater than 110 gallons each. The use of gasoline cans is permitted. If the vehicle is too far for the hose to reach, the operator can put gas in the vehicle with cans. They must be metal safety cans, no more than 5 gallons each, with a maximum of 60 gallons per truck. Cans must be properly secured to the vehicle when not in use.

There are further requirements for the hose and nozzle assemblies so they comply with the standard for service station pumps. They have to be UL listed and properly metered. As in the fleet refueling citation, an expansion space is required to prevent overflow.

Fire protection is addressed by requiring a minimum 4A80BC multipurpose fire extinguisher.

Flashing lights and safety cones or other barriers are required as well as “No Smoking” signs. Bonding and grounding of the vehicles is necessary so a spark of static electricity does not cause a fire. Vehicles must be attended at all times and must not block emergency vehicle access roads.

Hoses must not be laid across a street or driveway where it could be run over by another vehicle.

It is important to note that this new chapter for “On Demand Fueling” is all new code language that will not be part of the official code until the revision cycle is over in 2017. It was promulgated and accepted by the technical committee to meet the need to provide guidance to the municipalities, states and other AHJs that are challenged with this new practice.

The first modern gas or service stations were developed a century ago, with pumps and tanks designed for the purpose of fueling vehicles. Through the years, NFPA developed standards to help keep them as safe as possible for customers and employees.

Will this new refueling practice be the wave of the future and spell the end of fixed fueling stations, dispensing gasoline, diesel fuel and the new alternative fuels such as LNG? Some on demand fueling companies are already gearing up to offer fueling of the alternative fuels. It is such a new industry that much will need to be learned, in the field, at a practical level.

NFPA 30A, and other code and standard organizations will be following the new developments and establishing codes and standards to help keep everyone as safe as possible.

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The code will require that the AHJ and the owner of the property must approve of the refueling operation. Some refueling services have made prior arrangements with companies that have many employees (such as corporate campuses) to refuel employees' vehicles in the parking lot.

A safety/emergency plan will be required to be kept on the dispensing vehicle. This might include procedures for spill prevention, fire safety and driver training. Site plans could be required by the AHJ concerning items such as storm drains, building locations and property lines. The specific content of the plans would depend on the AHJ, so there is wide leeway, either for very specific instructions or general guidelines.

Training of the “mobile fueling vehicle operator” is addressed in the code, again deferring to the AHJ and Federal Regulations and HAZCOM. Presently, the companies engaged in refueling require a commercial driver's license and training in fuel delivery and dispensing. Specifics are provided concerning where the fueling is permitted. A 25-foot distance to buildings, property lines and combustible storage is required. You wouldn't want them refueling next to an apartment building or a playground.

If fueling is within 25 feet of a storm drain, storm drain covers are required in case there is a spill. Spill kits that can “mitigate and dispose of leakage or spills” are required. Very importantly, fueling is not allowed in buildings, including covered parking garages. It also is not allowed on public streets and other public areas.

The amount of fuel carried is also a consideration. Drawing on previous requirements and the international fire code, a tank vehicle



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# givingback

## Ontario Eases the Pain of Childhood Cancer



by Holly M. Osborn

New York Insurance Association, Inc.

"Cancer is a terrible disease that has affected a number of Ontario employees," said Keith Fry, president/CEO of Ontario Insurance Company. "We approached CURE, a local charity that supports the families of children fighting cancer to find a way of providing some assistance." CURE (Childhood Cancer Association) helps families by providing free tutoring to sick children as well as financial relief to families in the form of paid hospital parking fees, gas gift cards and food gift cards. Eighty-six cents of every dollar donated is used toward programs and services for affected families.

"We concluded that hosting a gala would enable us to generate support for CURE, and be a good way of giving back, helping those families that are going through the ordeal of cancer," Fry said. The Gathering for Hope Gala was held at Club 86 in Geneva, New York. Fry even agreed to have his head shaved in support of childhood cancer patients. Entertainment was provided by Rock-It Science, a local band managed by insurance agent, Orin Strowe. More than 50 people attended, including Ontario employees and agents as well as employees of Wayne Cooperative. "Jeff Rice and his team at Wayne Coop were great supporters," Fry said.

All Ontario employees were involved in the gala, making it a company wide effort. This is not the first time they have supported a worthy cause either. In 2016 Ontario employees raised funds to enable a boy from Sierra Leone to come to the U.S. for medical treatment, participated in a craft brewers' competition run by Raise a Glass International to support the InterVol Haiti Relief Fund in the wake of Hurricane Matthew and delivered free or low cost meals to seniors in conjunction with the Ontario County Office for the Aging.

*Holly M. Osborn is NYIA's administrative assistant. You can reach Holly at 518.432.4227 or hosborn@nyia.org.*

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ALTERNATE  
VIEW

A slightly different take on  
P&C insurance issues

# WEEK OF GIVING

## MEMBERS GIVE BACK

by **Natalie M. Boivin**

*New York Insurance Association, Inc.*

A picture is worth a thousand words—here is the equivalent of several thousand words about the contributions NYIA member companies made to their communities this past October during the IICF Week of Giving. In addition to the companies below, Preferred Mutual Insurance Company and Oswego County Mutual Insurance Company also participated in projects during this industry week.



From left to right: Broome Co-operative Insurance Company; Erie and Niagara Insurance Association; Merchants Insurance Group; Community Mutual Insurance Company, Eastern Mutual Insurance Company, MLMIC, Mid-Hudson Co-Operative Insurance Company, Washington County Co-Op Insurance Company, AIG and NYIA; and Security Mutual Insurance Company.



Check out NYIA's social media pages for more information about these exceptional projects. #IICFWoG



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# Out & About

## Oswego County Mutual Member Visit

**August 23** • NYIA's Ellen Melchionni and Cassandra Anderson visited Andy Banach and Mandy Brown at the offices of Oswego County Mutual Ins. Co. in Parish, NY.



## Central Co-Op Member Visit

**August 24** • Ellen and Cassandra then traveled to Central Co-Operative Insurance Company in Baldwinsville, NY where they visited with Richard Bente.



## Senator Griffo Fundraiser

**September 12** • Ellen attended a fundraiser for Senator Griffo in Rome, NY along with Richard Zick of Utica First Insurance Company and Senate Majority Leader Flanagan.



## FDNYM Member Visit

**September 20** • Ellen Melchionni met with Michael Vehlies at the office of the Fire Districts of New York Mutual Insurance Company in Chestnut Ridge, NY.

## North Country Insurance Member Visit

**August 23** • Ellen Melchionni and Cassandra Anderson met with North Country Insurance Company's Marc Ladouceur in Watertown, NY.

## Madison Mutual Member Visit

**August 24** • Madison Mutual Insurance Company in Chittenango, NY was next on the list where Ellen and Cassandra had the opportunity to meet with John Owens.



## Kingstone Insurance Member Visit

**September 13** • Ellen Melchionni and Marc Craw visited the offices of Kingstone Insurance Company and met with John Reiersen and Barry Goldstein.

## Country-Wide Insurance Member Visit

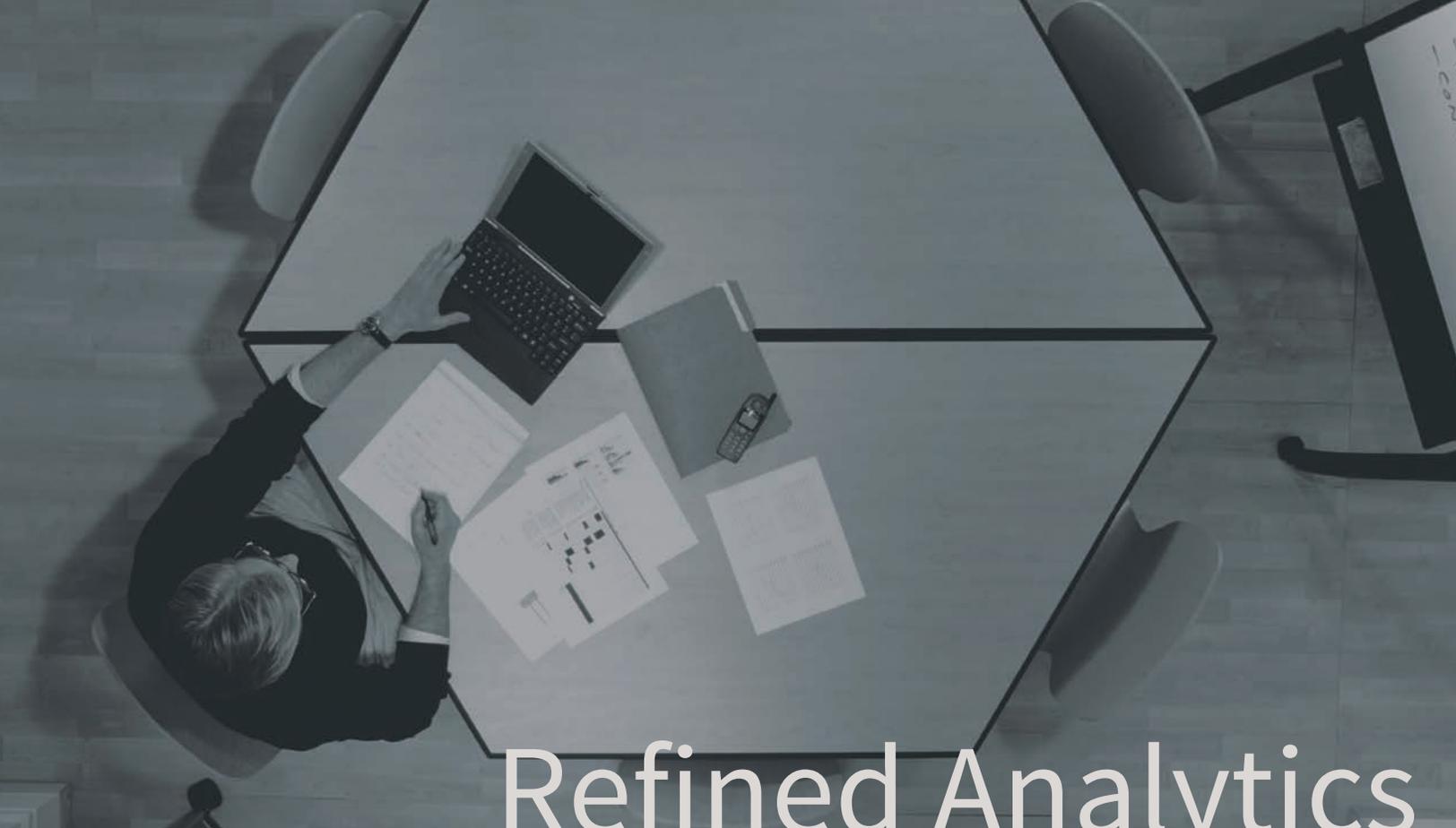
**September 15** • Ellen Melchionni, Marc Craw and Cassandra Anderson traveled to Country-Wide Insurance to meet with Dominick Vicari and Cindy Appleblatt.

## IICF Local Grants Reception

**September 15** • Ellen and Cassandra attended a reception in New York, NY for local grant recipients, including two charities nominated by NYIA member companies.

## Magna Carta Member Visit

**September 21** • Ellen Melchionni traveled to the offices of Magna Carta Companies in New York, NY to meet with Mark Battistelli and John Hill.



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# How well do you know *your* customers?

*Better understand your  
existing and potential  
policyholders using  
demographic data*

by Andrew Siffert  
*BMS Re US*





# Knowing your customer can:

- Drive product development
- Impact marketing and distribution strategies
- Influence rates and rate changes
- Shape underwriting approaches
- Limit execution risk associated with growth strategies
- Enhance claims-handling practices

**I**t is clear that American demographics are changing quickly, and those changes will have a major influence on the insurance industry. Just a few examples include:

- Baby boomers are retiring, and millennials are entering the workforce.
- Traditional family structures are becoming decreasingly common, and a number of non-traditional family structures are increasing.
- Many ethnic minority groups are growing and establishing roots in the United States.
- Populations are shifting from rural areas to cities and coastal communities, and economic events, such as the departure of a community's major employer, can quickly transform traditional communities.

With fast-paced changes like these, insurance companies need to understand their customer base, make adjustments to accommodate ever-changing markets and determine whether they are offering the right types of products and services to the right customers.

Market segmentation and geographical mapping tools can help insurers better understand demographics and leverage changes to their advantage. Market segments aren't new: the industry has long





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**Reinsurance Contracts**  
March 2017, Hamilton, Bermuda

**Reinsurance Basics**  
May 2017, New York, NY

**Reinsurance Underwriting**  
September 2017, New York, NY

**Reinsurance Claims**  
October 2017, New York, NY

**P/C Financial Reporting & Analysis**  
November 2017, New York, NY



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used demographic information to pinpoint markets and tailor products. But modern market segmentation strategies target an increasing number of customer variables, and available mapping tools can isolate many different market segments at very specific locations.

Insurers historically focused on financial aspects of a portfolio to understand exposure concentrations, profitability metrics and hazard information, and the insurance industry is no stranger to geospatial technologies and demographic data. In fact, demographic data was likely used in the 1800s when the first life insurance contracts were written in London. Demographic data has long been associated with population characteristics, such as density and housing units. But additional attributes, such as home values, crime statistics, income, net worth and social lifestyles, enable insurers to better understand customers and potential areas of growth.

Insurance companies are just now starting to arm themselves with more data and technology so it is only natural to use demographic data to guide decision making on top of other metrics. In some cases insurers may assume they are maximizing the demographic data that is accessible to them, but most aren't diving as deeply into this data as companies in other industries.

Insurance companies can benefit from segmenting populations and the detailed lifestyles of these groups to assess the size of a potential market and to determine whether its products and services are reaching the company's most important customers. It is well known that other industries have a spatial lens focused on potential customers and use demographics to help drive important decisions based on location. For example, the retail industry uses demographics to decide not only where a store will be placed, but what merchandise will be stocked at that particular location. Demographic data is also used for merger

and acquisition activity. For example, a company may want to compare its current customer demographics to its prospect's customer demographics.

### **Case Study: Targeting key demographic areas to achieve profitable growth**

The following example outlines one way insurers can use demographic data to not only understand their insureds, but to increase profitability and sustain growth.

#### **Steps:**

1. *Obtain demographic data. This is more than just census data. Many third-party vendors can optimize data by mapping lifestyle segments by geographic level for easy analysis. The demographic data can be summarized and organized into meaningful geographic categories (e.g., zip codes, county) depending on the insurer's needs.*
2. *Determine current market penetration. It is possible for insurers to measure the number of specific types of households in a geographic area and then match demographics from the current portfolio to gain a better understanding of the underlying demographics in these territories. This can also help insurers pinpoint target micro-markets within those same demographics.*
3. *Once demographic segments are identified, insurers can determine what business is most/least profitable and better strategize in the targeted growth area. Future trends could lead to significant changes in profits. As demographics change, carriers need to adjust product offerings to adapt to new trends.*
4. *Implement and monitor growth plans just as often as other plans and metrics traditionally analyzed*

*by insurers (e.g., exposure changes). Attaining the new business is just one part of success. The ability to retain profitable business over the long term is fundamental, and understanding the customer can help retain this business.*

These steps provide a view into which demographic segments are most and least profitable. Clusters often emerge in unexpected places. Overlaying policies with agency locations and demographics help insurers identify possible sales coverage gaps and untapped opportunities. The insurer can then target specific areas with segment-specific products and marketing materials to support any micro-markets that may exist in the target growth area.

The ability to pinpoint information and apply analytical insight differentiates successful businesses from the competition. Demographic shifts impact the underwriting and pricing of many insurance products, and the implications of these changes create new challenges and opportunities for property and casualty insurers. This case study is just one example.

For more details on how demographic data can be used in the insurance industry, you can view the webinar I presented on September 13, 2016 that is available in the members only section of NYIA's website.

*Andrew Siffert is associate vice president and senior meteorologist with BMS Re US. You can reach Andrew at 952.252.0812 or [andrew.siffert@bmsgroup.com](mailto:andrew.siffert@bmsgroup.com).*

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# Q&A

## Jay Martin

by **Cassandra Anderson, CAE**  
*New York Insurance Association, Inc.*

A TIRELESS ADVOCATE WITH  
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GENUINE PURPOSE

**J**ay Martin is known for being a sharp attorney and tenacious lobbyist. He is no nonsense, but with a sincere, personable approach. If you want to get a job done, Jay is someone you want on your team. His interests are as varied as his skills. And, while he is technically a relatively new employee of the Medical Liability Mutual Insurance Company (MLMIC), you will see that like many other aspects of his life, his roots run deep. He has been involved with a number of organizations during his career and is a big believer in volunteering your time to worthy causes. We are happy that he has dedicated his time and energy to NYIA, currently serving on the association's board of directors. Read on to learn more about this sage veteran of the New York insurance industry who knows the state's Capitol like the back of his hand.

**Q:** You are a lawyer by training, but your focus has been insurance. Where did your career take you before landing in your present role?

**A:** My first job after graduating from law school was with the New York State Consumer Protection Agency, a small, executive agency, where I was quickly tapped to become legislative counsel and began working on some insurance related issues. This experience led to a job as New York counsel for the Alliance of America Insurers and subsequently to an offer to join LeBoeuf, Lamb, a large law firm based in New York City, which represented a wide variety of companies active in the insurance sector.

**Q:** What do you like best about working in the insurance industry?

**A:** At heart, I am a policy wonk. The insurance industry is an extremely diverse business that deeply affects the lives of virtually



all Americans. And, as a heavily regulated business, public policy decisions by regulators and legislators are extremely important in determining what products are available to consumers and how these products will be priced.

**Q:** Why did you decide to join MLMIC?

**A:** Before I agreed to join MLMIC in 2015, I served as the company's principal outside counsel for more than 30 years. During this time, I was also fortunate enough to represent many other participants in the insurance marketplace so I was able to observe firsthand how different companies operated their businesses. Among the things that most attracted me to MLMIC was how committed the people at MLMIC are to their policyholders. MLMIC's mission to provide quality professional liability insurance at the lowest possible cost consistent with fiscal responsibility is more than an advertising slogan; it is the lodestar that guides all of the decisions of the company. In addition, MLMIC truly values their employees. In a time when the relationship between many companies and their employees has become frayed, the people who work at MLMIC are proud to work at a company where integrity matters and the hard work and dedication of employees is truly appreciated.

**Q:** Being a lobbyist is not always an easy job. What do you find the most gratifying? What do you find most challenging?

**A:** The most gratifying part of my work as an advocate is helping regulators and legislators better understand how important the insurance industry is to the overall economy and the often unintended but very real impact of overly broad regulation on the

price and availability of vitally important products and services. The most challenging part of my job is the lack of financial literacy amongst far too many public policy decision makers.

Q: What do you view as the greatest opportunity for the industry over the next 5–10 years?

A: Continue to innovate and create new products that help society better respond to risk. A good example is the need for enhanced cyber security policies.

Q: How long have you been affiliated with NYIA?

A: I have worked with NYIA directly and on behalf of clients for almost 20 years.

Q: What do you think is the greatest opportunity for the association?

A: All too often the property and casualty industry spends a disproportionate amount of its energy on internecine disagreements. The entire industry would be better served working in a more collaborative manner with NYIA as the leading voice on important policy issues in New York State.

Q: What is your academic background?

A: I graduated from the State University of New York at Binghamton with a B.A. in History and hold a J.D. degree from the Boston University School of Law. More recently I was an Advanced Leadership Fellow at Harvard University.

Q: What do you consider to be some of your most interesting professional accomplishments?

A: I have been fortunate enough to have been involved with a number of interesting projects over my career. Two of the most interesting and challenging projects I worked on were: legislation that created the Excess Line Association of New York and a New York State Insurance Department regulation that authorized the sale of specified disease insurance in the state. I was also honored to have been elected by my peers as the chairman of the Industry Advisory Committee to the National Conference of Insurance Legislators. Currently, I am working on the sponsored demutualization of MLMIC; a complex project that I am cautiously optimistic will be completed sometime next year.

Q: How would your colleagues describe you?

A: Prepared, passionate and persistent.

Q: Who would you consider to be your most influential mentor?

A: I have been fortunate enough to have had several mentors during my career, but Jeff Johnson was easily the most influential. Jeff was a senior partner at LeBoeuf, Lamb when I first joined the firm. Jeff, who chaired the firm's Associate Committee, took me under his wing from day one. Jeff was one of the best lawyers I ever worked with and he demanded excellence, hard work and integrity, but he was always willing to take time out of his busy schedule to give me counsel and

advice. Perhaps the most important lesson I learned from Jeff was that true leaders ensure that any praise is given to the members of their team and any blame is directed at the leader.

Q: If you weren't working in the insurance industry or practicing law, what would you be doing?

Teaching history. I think teaching is in my genes. My mother, one of my brothers, and my daughter are all teachers.

Q: I know you are passionate about charitable causes. What are some highlights of your volunteer work?

A: My parents and grandparents always taught my brothers and me that we had a responsibility to give something back to our society. Over the years, I have always tried to make time for causes that I feel passionately about. I enjoy working with young people. When my children were younger, I was chair of the board of trustees of the independent school they attended. Currently, I serve on the board and volunteer for Boys Hope Girls Hope New York. This organization provides academically capable and motivated children from at risk situations with the academic support and guidance they need to finish high school, to graduate from college and to become responsible and productive citizens. I also serve on the board of Daily Table. The mission of this group is to help inner city communities make great choices around food by making it easy for people in "food deserts" to choose tasty, healthy, convenient and truly affordable meals and groceries.

Q: Where is your hometown?

A: I was born in Brooklyn, but I grew up in Bethpage on Long Island. Go Golden Eagles.

Q: If you could choose anywhere in the world to live, where would it be?

A: Manhattan. I love the energy and diversity of the city.

Q: You are a dedicated family man who raised a son and daughter with your wife, Jeri. What is one of your favorite memories of your kids growing up?

A: Travelling with our children to the Galapagos Islands, a truly wondrous place.

Q: If you could have any super power, what would it be?

A: Mind reading. I would love to see what people are really thinking and how different it might be from what they are saying!

*Cassandra Anderson is NYIA's associate vice president. You can reach Cassandra at 518.432.4227 or canderson@nyia.org.*

# New & Noteworthy

## Hoffman promoted to partner



**Hoffman, Roth & Matlin, LLP** (HRM) recently announced that **Joshua R. Hoffman** has been named partner.

Hoffman has worked at HRM in a variety of capacities since 2008. Presently, Hoffman focuses his practice on construction litigation, general liability cases, malpractice, commercial matters, coverage issues and appeals. He graduated from the University of Wisconsin with a Bachelor of Art and earned his JD from New York Law School. Throughout college, Hoffman worked as a paralegal for a prominent Long Island based firm where he learned all facets of tort litigation. While at law school, Hoffman also gained invaluable experience interning in the civil division of the United State's Attorneys Office of the Eastern District of New York, where he worked on all aspects of tort, medical malpractice, Title VII, ADA, health care fraud and environmental law cases.

Hoffman, Roth and Matlin, LLP is a full service law firm offering legal services to individual, corporate, professional and insurance company clients. HRM is strategically located in midtown Manhattan permitting the firm to provide legal services to all of New York City's five boroughs as well as Long Island and the Hudson Valley. More information is available at [www.hrmnylaw.com](http://www.hrmnylaw.com).

## NYIA members acknowledged

Several New York Insurance Association member companies were listed on the J.D. Power 2016 U.S. Home Insurance Study which calculates overall customer satisfaction on a 1,000-point scale. The following companies were recognized for their notable performance: **Erie Insurance Group, State Farm Mutual Automobile Insurance Company, Allstate Insurance Company, Farmers Group, Inc., CSAA Insurance Group, Nationwide Insurance, MAPFRE Insurance, and Mercury Insurance Company.**

The study examines overall customer satisfaction with two distinct personal insurance product lines: homeowners and renters. Satisfaction in the homeowners and renters insurance segments is measured by examining five factors: interaction, policy offerings, price, billing process and policy information and claims. According to the study, overall customer satisfaction with homeowners insurers is 804, a 17-point increase from 2015.

## NYIA members recognized by agent association

Several NYIA member companies were recognized in a survey of agent-company relations. The PIA Company Performance Survey, conducted each year by the Professional Insurance Agents, seeks feedback from more than 700 agents in Connecticut, New Hampshire, New Jersey and New York. The survey ranks companies based on criteria such as competitive pricing, superior coverage, clear honest communication, response to agents, competitive compensation, dedication to agency system, company brand, fair adjustment of claims and prompt payment of claims to establish an overall benchmark index.

In New York **Wayne Cooperative Insurance Company** and **Sterling Insurance Company** were ranked in the top 10 of overall insurance company performers. In addition, **Allstate Insurance Company, Associated Mutual Insurance Cooperative, Dryden Mutual Insurance Company, Kingstone Insurance Company, Progressive Casualty Insurance Company, Security Mutual Insurance Company, Sterling Insurance Company, and Wayne Cooperative Insurance Company** were recognized for ranking among the top five companies within various performance items.

The Professional Insurance Agents of New York State Inc. has been serving professional, independent property/casualty insurance agents for nearly 80 years. PIANY staff is comprised of 80 industry experts based in Glenmont, New York. An affiliate of the National Association of Professional Insurance Agents, PIANY serves some 1,500 members across the state, which collectively employ tens of thousands of insurance professionals, and work with carriers to provide insurance for more than 2 million households and 750,000 businesses, governmental units and other organizations. More information is available at [www.pia.org/ny](http://www.pia.org/ny).

## St. John joins UPC Insurance

**UPC Insurance** announced that the company has appointed **Scott St. John** as its chief claims officer effective August 22, 2016. St. John will be responsible for directing and leading all aspects of the company's claims operations.

St. John has over 25 years of industry-related experience, of which more than 15 years was spent at Fortune 100 companies that specialize in property and casualty insurance. Most recently, St.

# New & Noteworthy

John served as the eastern property field zone leader for Farmers Insurance Group. While at Farmers, St. John was responsible for managing all personal lines property claims in a 27 state region. Previously, St. John had served as the national manager of catastrophe operations for Farmers.

St. Johns holds a B.S. in business administration from Ohio State University, as well as Chartered Property & Casualty Underwriter (CPCU) and Associate in Claims (AIC) designations.

Founded in 1999, UPC Insurance is an insurance holding company that sources, writes and services residential property and casualty insurance policies using a network of independent agents and a group of wholly owned insurance subsidiaries. UPC Insurance writes and services property and casualty insurance in 12 states. From its headquarters in St. Petersburg, UPC Insurance's team of dedicated professionals manages a completely integrated insurance company.

Additional information about UPC Insurance is available online at [www.upcinsurance.com](http://www.upcinsurance.com).

## Witt earns CPCU designation

**Merchants Insurance Group** is pleased to announce that **Daryl Witt**, claims adjuster II/total loss, central claims department, has been awarded the professional insurance designation Chartered Property Casualty Underwriter (CPCU®) by The Institutes, an educational organization that confers the CPCU designation on persons who complete eight rigorous courses and examinations and meet its ethics and experience requirements.

Witt has been with Merchants since 2009 and studied business administration at Buffalo State College. She also holds the Associate in Claims (AIC) and Associate in General Insurance (AINS) designations and resides in the Village of Hamburg.

Merchants Insurance Group sells its products through a network of more than 1,000 independent insurance agents in Massachusetts, Michigan, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island and Vermont. Additional information is available at [www.merchantsgroup.com](http://www.merchantsgroup.com).



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# New & Noteworthy

## Ruane and Melchionni receive industry award



**Thomas Ruane**, president of **Security Mutual Insurance Company** and **Ellen Melchionni**, president of the **New York Insurance Association** were recently honored with the National Association of Mutual Insurance Companies (NAMIC) Merit Award. The award was presented at the NAMIC Annual Convention in Vancouver, Canada.



The NAMIC Merit Award recognizes the advancement of professionalism in the insurance industry. It is designed to encourage individual professional development of persons associated with NAMIC member

companies and to recognize those individuals who demonstrate educational attainment and service or contributions through NAMIC or state/provincial association activities.

## Mercury and Progressive named most trustworthy

**Mercury Insurance** and **Progressive Casualty Insurance Company** have been included on Forbes Magazine's list of "America's 50 Most Trustworthy Financial Companies" for the past fiscal year.

Forbes enlisted MSCI ESG Research to examine more than 700 publicly-traded North American companies with market caps of \$250 million or greater, for the year ending December 2015, to develop this list by scoring companies on transparency and accuracy in financial reporting. Criteria for assessing each company included high-risk events, revenue and expense recognition methods, SEC actions, and bankruptcy risk, which are all considered indicators of a company's credibility. Progressive Casualty Insurance Company ranked first among property and casualty insurance companies and Mercury Insurance Company is the fourth highest ranked property and casualty insurance company on the list.

Mercury Insurance Company is a multiple-line insurance organization predominantly offering personal automobile, homeowners and commercial insurance through a network of independent agents in Arizona, California, Florida, Georgia, Illinois, Nevada, New Jersey, New York, Oklahoma, Texas and Virginia. Since 1962, Mercury has specialized in offering quality insurance at affordable prices. Additional information is available at [www.mercuryinsurance.com](http://www.mercuryinsurance.com).

Progressive Casualty Insurance Company, founded in 1937, provides insurance for personal and commercial autos and trucks, motorcycles, boats, recreational vehicles, and homes. Progressive is the fourth largest auto insurer in the country; a leading seller of motorcycle and commercial auto insurance; and through ASI, one of the top 20 homeowners carriers. More information about Progressive is available at [www.progressive.com](http://www.progressive.com).

## Hurwitz & Fine recognized



**Hurwitz & Fine, P.C.** attorneys were highly distinguished with 13 firm attorneys listed in the Best Lawyers in America 2017 list. The nationally recognized Best Lawyers lists are compiled by surveying the leading lawyers in each field who confidentially evaluate their peers in the legal community.

**Dan D. Kohane**, senior member at Hurwitz & Fine, was identified with special distinction as a "Lawyer of the Year" in Insurance Law. Lawyers listed as such have received particularly high ratings in these surveys by earning the highest level of recognition from their peers for their abilities, professionalism, and integrity in their specific area of law.

New York Super Lawyers list (Upstate Edition) named 75% of the firm's attorneys, with several attorneys being prominently featured in the Top 10, Top 50 and Top 25 Women lists. Only 5% of eligible attorneys statewide make the list.

Hurwitz & Fine, P.C. has six locations across New York State stretching from Buffalo to Long Island, as well as one in Toronto and one in Florida. More information about Hurwitz & Fine is available at [www.hurwitzfine.com](http://www.hurwitzfine.com).

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Do you have news you would like to share? Please send releases and announcements to Natalie Boivin at [nboivin@nyia.org](mailto:nboivin@nyia.org).

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## Got a Situation? We Love Situations!

Hurwitz & Fine, P.C. undertakes all aspects of insurance coverage matters, including casualty, regulatory, first party, subrogation and bad faith. Recognized as an industry leader in the practice of insurance coverage, the firm counsels on CGL, D&O, E&O, auto, UM/SUM, environmental and property coverages. With offices throughout the state, we provide custom in-house training for insurance carriers.

The firm publishes *Coverage Pointers*, a free biweekly insurance coverage email newsletter summarizing the latest insurance law decisions from New York courts and across the country to keep you informed. Subscribe online to join the conversation on our website at [www.hurwitzfine.com](http://www.hurwitzfine.com) or scan the QR code at right to see the most recent issue.



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# Upcoming Events

## NAMIC Congressional Contact Program

March/April 2017

Capitol Hill  
Washington, D.C.

## Legislative Action Day

March/April 2017

Albany, New York

## 2017 Annual Conference

Wednesday, May 31 –

Friday, June 2, 2017

Hyatt Regency  
Buffalo, New York

Additional events will be announced in 2017.

Visit [www.nyia.org/events](http://www.nyia.org/events) for more information.

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- Bob Baxter, CEO Dryden Mutual

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- Plan Communication & Servicing
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