

The Insurance Library Association of Boston Saval Insurance Education Center

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Newsletter

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Eighth Annual Insurance Professional of the Year Award and Event

We are extremely pleased to announce that **Richard W. Brewer** will accept the Insurance Library Association of Boston 2009 Insurance Professional of the Year Award. Please mark your calendars now for Friday, October 16th, when we will gather at mid-day at the Boston Harbor Hotel on the waterfront.

Mr. Brewer is the president and chief executive Officer of ProMutual Group of Boston, one of the largest providers of medical malpractice insurance in the northeast. Prior to joining ProMutual in 2001, he for twelve years served as the president and chief executive officer of Arbella Mutual, one of the largest writers of personal automobile insurance in Massachusetts. He has contributed much through his ongoing commitment to a variety of industry and civic groups, very notably to all of us during his terms on the Insurance Library's Board of Trustees, which he led as President.

If you can join us on October 16th, you can be assured that you will, in addition to having the chance to congratulate Mr. Brewer in person, have an excellent lunch and the chance to see and socialize with many people in our insurance community—some of whom you may not have an opportunity to see as often

as you would like to do: what better opportunity can be imagined than this?

Mr. Brewer joins an outstanding group of previous winners of this award, which was instituted in 2002. For a list, pictures, and biographies, please see our website at www.insurancelibrary.org. You may also utilize this website to reserve a seat, seats, or table.



*2009 Insurance Professional of the Year
Richard W. Brewer*

We are very grateful for the response to our "Adopt-a-Book" program: all but two of the historical items featured on our website have been rescued. That part of the website now also includes a "wish list" of new items which would be most worthy additions to the collection.

Annual Fund

July 1, 2008-June 30, 2009

Trustee Phil Edmundson has once again achieved success, despite the uncertain economy, in the Annual Fund campaign he leads. Total donations for the recent fiscal year ended June 30 exceeded \$80,000 for the first time in the nine-year history of this endeavor. We sincerely thank everyone who contributed to these results, whatever the amount of their contribution.

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We sincerely hope that we have not omitted any person or firm from this list, but if we have, please let us know so that we can publish a correction and update.

**Questions From This Quarter (and
What We Found for Answers)**

Q: What is my agent talking about when he mentions “package policies”? Is my homeowners insurance policy such a thing?

A: Sometimes it seems that those of us who work in the insurance industry assume that our customers and consumers are familiar with terms and concepts that we take for granted. We sent this caller some explanatory pages from the 1958 book **Development of Comprehensive Insurance for the Household** by John Eugene Pierce, in which the author traces the origins of homeowners policies and discusses the “package” concept. It may have been a bit more than they really wanted, but we like to err on the side of inclusion!

Q: I recently passed the property and casualty licensing examinations and expect to begin collecting commissions

soon. What percentage of the premiums I produce should I expect to earn?

A: This is, of course, a question with no quick or easy answer. In addition to stressing that “it depends” (several variables were cited), we encouraged this patron to peruse the annual publication of the A.M. Best Company titled **Best’s Aggregates & Averages—Property/Casualty** (2008 edition). The Grand Total commission and brokerage expense incurred for all lines of P/C insurance, for all insurers followed by A.M. Best (expressed as a percentage) was 9.9% in 2007. But a wide range among lines is apparent in that source: median commissions of 5.0% for medical malpractice and 6.2% for workers’ compensation are factored into the average, as are 14.0% for boiler & machinery and 16.0% for burglary and theft. The personal lines total is reported as 9.8%, and commercial lines at 11.4%. We hope this information at least helped to create reasonable expectations.

Q: My mother recently died, and we found among her important papers a life insurance policy with a company called Life Insurance Company of Virginia dated in 1975. We searched various sources, but cannot locate an address or other contact information for that company. Are we simply out of luck?

A: Life Insurance Company of Virginia is now operating under the name of Genworth Life & Annuity and is based in Richmond, Virginia. This consumer was most pleased to be able to follow up with the insurer. We do not like having to tell people when the insurer on an old policy went into receivership or was dissolved, but only on very rare occasions are we unable to trace a company if it is still operating under any name, new or old.

Q: Is there really such a thing as a “disappearing deductible”?

A: Not to be confused with “*vanishing premiums*” (a more modern and possibly less straightforward concept-if you’d like more on that subject, let us know), disappearing deductibles were once quite commonly used in property insurance policies. They operate through use of a formula providing that the amount of the deductible decreases as the amount of a loss increases, disappearing entirely to provide full coverage when a loss reaches a certain amount.

Speaking of definitions, the Insurance Library was recently gratified to receive as a gift of the author a copy of the rather substantial publication entitled **Burnham’s Insurance Dictionary**. Published in 2009, the 930 pages in this reference source include listings for the terms and phrases included in the study materials of the vast majority of insurance study programs sponsored by the American Institute for CPCU and the

Insurance Institute of America (although it is noted that there is no official connection between the author/publisher and “The Institutes”). For additional information on this publication you can refer to the publisher’s website, see: <http://www.burnhamsystem.com/Dictionary/index.htm>.

Q: My firm is doing some statistical research in the property/casualty field of insurance, and I don’t understand how it can be that annual net premiums written for some lines can be a lower amount in one year than it was for the previous year. What’s the story?

A: While premiums have historically grown from year to year, some reporting changes may account for anomalies in certain lines-it’s advisable to read what A.M. Best and others say about what they have considered and included in their statistical publications. That said, this question led to some discussion of insurance cycles. A very useful source in this realm is the 1991 publication of the National Association of Insurance Commissioners, **Cycles and Crises in Property/Casualty Insurance: Causes and Implications for Public Policy**. Given its publication date, the exhibits are somewhat dated, but they serve to illustrate the cyclical nature of the property/casualty insurance industry.

Note: We are always happy to perform work of a “ready reference” nature for students, consumers, and members of the Library, such as the inquiries described in these *Questions & Answers*. Often we are asked to investigate a subject or situation as a research project- these may involve somewhat arcane or historical subjects. An hourly charge is made for such research, and these projects are not described in our newsletters. Document delivery charges may apply — see our website for details.