

WIAA WEEKLY BULLETIN

Western Insurance Agents Association

For WIAA members and other important people

February 21, 2012
No. 1871

In This Issue . . .

- ◆ **Owner of The Hartford's Largest Shareholder Urges Spinoff of P/C Operations**
- ◆ **Website Blasts Consumer Watchdog, Intervener-Fee Provision of Prop 103**
- ◆ **41 U.S. Senators Sign Letter Asking Senate Leaders to Have Floor Vote on NFIP Reform Bill**
- ◆ **Garamendi Authors Bill in Congress to Provide Farmers Flood-Insurance Subsidies**
- ◆ **Allstate Sends Inaccurate Tax Information to 4,700 of Insurer's 11,500 Agencies**
- ◆ **Broker, Daughter Charged with Felony Theft for Allegedly Stealing Premium**

Owner of The Hartford's Largest Shareholder Urges Spinoff of P/C Operations

A hedge-fund manager whose company is The Hartford's largest shareholder urged insurer Chairman, President and CEO Liam McGee to boost the carrier's sagging stock price with a tax-free spinoff of The Hartford's property/casualty business. McGee has expressed skepticism the proposal by John Paulson, who heads Paulson & Co., would be as beneficial to The Hartford shareholders as Paulson asserts.

McGee said at an earnings call earlier this month, "There are significant challenges to making a split possible." Further, "We do not believe that splitting [the company's P/C and life businesses] in the current environment . . . will create shareholder value," he said.

In addition to sending a letter last week to McGee, which Paulson made public, Paulson & Co. filed a statement with the Securities and Exchange Commission that allows the hedge-fund manager to speak to analysts and other shareholders of The Hartford about his proposal. The SEC filing included charts and graphs illustrating the purported benefits of creating a separate P/C unit, which carriers such as AIG, Safeco, Travelers, CNA and others have done in the past decade.

In the letter Paulson told McGee, "Not only do we believe that you underestimate the potential value that would be created by a spinoff, the 'challenges' you describe are both overrated and readily manageable." Paulson, whose firm owns 8.4% of The Hartford, wrote in his letter that spinning off the insurer's P/C operations could boost the company's stock price by 40% to 60%. (At the earnings call Paulson cited an estimate by Goldman Sachs that creation of a separate P/C company would increase The Hartford's share price by 70%) "Given the extremely poor performance of Hartford's stock and the fact that Hartford trades at lower valuation multiples than any of its U.S. insurance peers, addressing these issues should be Hartford's highest priority," according to the letter.

"We shared our view regarding the benefits of a tax-free P&C spinoff initially in November 2011 and again in December 2011," Paulson wrote. As part of our analysis, we considered all other strategic alternatives, including share buybacks, the sales of individual businesses, the sale or IPO of minority stakes in life and/or P&C . . . but

none of these [alternatives] came close to the dramatic increase in shareholder value to be created by a [P/C] spinoff.”

In response to Paulson’s letter, The Hartford issued the following statement:

“We recognize there are potential benefits to a separation of the P&C and life companies, including those outlined by Paulson & Co. Inc. While there are challenges to successfully executing a separation, we welcome Paulson’s views and look forward to continued dialogue with him and other shareholders. We are evaluating the company’s strategy and business portfolio with the goal of delivering shareholder value.”

Website Blasts Consumer Watchdog, Intervener-Fee Provision of Prop 103

Consumer Watchdog now has a watchdog, a website run by Steven Maviglio, a former press secretary to recalled California Gov. Gray Davis. The site, [ConsumerWatchdogWatch](#), blasts Consumer Watchdog for refusing to reveal its donors and criticizes the intervener-fee provision of Proposition 103, created by initiative backer and Consumer Watchdog founder Harvey Rosenfield and from which the organization derives most of its revenue. CWdW’s position on intervener fees matches that of the insurance industry, which has contended for more than 20 years interveners should not be compensated if interventions don’t impact rates.

The creation of CWdW sparked accusations by eight consumer groups in a statement defending CWd. The groups alleged backers of a proposed initiative on the November ballot that would make auto-insurance persistency discounts portable were behind the criticism of CWd, which is the chief opponent of the measure. Meanwhile, statements by the eight groups and the Consumer Federation of America accused George Joseph, chairman of Mercury General Corp., who contributed more than \$8.2 million to the initiative last year, of being behind CWdW.

The groups apparently either didn’t notice or chose to ignore a note on the bottom of the website: “Paid for by Forza Communications.” A Google search for Forza Communications leads to a site in which a “Head Honcho” link produces Maviglio’s biography. In their statement defending CWd, the eight consumer organizations noted CWdW’s link to Forza Communications but still insisted “the handwriting of . . . George Joseph [is] all over this website.”

If there was any mystery why Maviglio would attack CWd, CWd President Jamie Court provided a possible motive in an interview with *Insurance Journal*, alleging Maviglio, as communications manager for then Assembly Speaker Fabian Nunez, “was forced to resign in disgrace because of an investigation by Consumer Watchdog.”

Maviglio, in an interview with IJ, provided another rationale for creating CWdW, saying he stopped working for Nunez voluntarily. Maviglio cited CWd’s campaign last year against state Sen. Ed Hernandez, D-West Covina, which included a TV ad claiming the senator had improper dealings with Kaiser Permanente. Maviglio said CWd’s actions against Hernandez were motivated by the legislator’s to probe the intervener program.

In a statement announcing the formation of CWdW, Maviglio called CWd “an affront to legitimate consumer organizations,” asserting the group “is all about its own self-interest and media grandstanding rather than looking out for consumers.” He indicated he is seeking to expose CWd’s “dirty secrets.”

The website includes links to IRS forms provided by CWd and sister organization Consumer Education Foundation; salary information on Rosenfield and CWd’s two top officials (all received more than \$100,000, Rosenfield more than \$500,000 in 2008); the “myth” of Prop 103; and articles critical of CWd. Maviglio told *Insurance Journal* the content now on CWdW is “just the tip of the iceberg.”

41 U.S. Senators Sign Letter Asking Senate Leaders to Have Floor Vote on NFIP Reform Bill

Forty-one U.S. senators have signed a letter requesting Senate Majority Leader Harry Reid, D-Nev., and Senate Minority Leader Mitch McConnell, R-Ky., permit a vote by the full Senate on legislation that would extend authorization of the National Flood Insurance Program through Sept. 30, 2016, and institute other reforms of the NFIP. Sens. David Vitter, R-La., and John Tester, D-Mont., authors of the bill, circulated the letter and sought signatures.

At a press conference last week Vitter and Tester indicated the legislation likely would have passed the Senate already, but Reid believes Republicans might attach to the measure unrelated provisions opposed by Democrats. “Sen. Vitter and I are very well aware that that possibility” -- of one party putting a halt to legislation by including provisions opposed by the other -- “exists on all bills, and we will have to work hard to ensure that the bill remains as narrow as possible,” Tester said.

The Senate's NFIP-reform bill passed the body's Banking Committee in September. In July the House approved similar legislation. The letter says the Senate "should take this opportunity to capitalize on the bipartisan efforts by both the Senate Banking Committee and the House of Representatives thus far to make major improvements to this important program," *National Underwriter* reported.

In addition to the letter, trade groups representing agents/brokers, insurers, financial services firms and residential-property interests urged the Senate to pass the bill. The NFIP is authorized through May 31.

Garamendi Authors Bill in Congress to Provide Farmers Flood-Insurance Subsidies

U.S. Rep. John Garamendi, D-Calif., introduced a bill in the House last week that would subsidize the cost of flood insurance for farmers growing crops and/or with grazing livestock in floodplains. HR 4020, the Flood Insurance for Farmers Act, would provide subsidies for farmlands designated as special flood-hazard zones by the Army Corps. of Engineers because levees protecting the areas do not provide protection from 100-year floods. The measure would also make flood coverage available in areas considered uninsurable and fund a study of flood-insurance rates paid by farmers.

Garamendi, a rancher who served as California insurance commissioner from 1991 to 1995 and 2003 to 2007, told *Insurance Journal* flood coverage is unavailable in many areas where the risk of flooding is high because of inadequate levees. "The need for this bill is a result of the Army Corps. of Engineers downgrading flood protection of many levees in the nation, particularly California," Garamendi told *IJ*. "That downgrading has placed large portions of California -- particularly agricultural areas, where [farmers] are unable to rebuild, replace or modify existing or new agriculture facilities -- at a disadvantage."

Allstate Sends Inaccurate Tax Information to 4,700 of Insurer's 11,500 Agencies

Agency compensation continues to be a problem for Allstate. No, the insurer hasn't decided to cut commissions further, but Allstate informed agency owners it provided to 4,700 of its 11,500 production firms inaccurate information on 2011 tax forms. The carrier reported incorrect data for two incentive programs and mixed up income information by agent identification numbers. Allstate indicated it would issue corrected forms as well as pay accounting charges of any agency owner who had already filed tax returns based on the inaccurate tax forms.

Meanwhile, a survey conducted recently by the National Association of Professional Allstate Agents of 1,800 of the carrier's producers found 73% of respondents were either "not very" or "not at all" satisfied with their relationship with the insurer. Further, when asked if they would recommend becoming an Allstate agent to a friend or relative, 85% said either "not likely" or "would recommend against it."

Broker, Daughter Charged with Felony Theft for Allegedly Stealing Premium

An Upland, Calif., broker and his daughter were each charged with three felony counts of theft by false pretenses stemming from the alleged theft of more than \$8,000 in premium. Willy Emile Poelman, 75, and Debbie Nio, 51, both of Upland, were booked into San Bernardino Jail. Poelman was arraigned in San Bernardino County Superior Court and later released. Nio, not a licensed producer in California, failed to show up for her arraignment and a bench warrant was subsequently issued.

Poelman and NIO, who operate Upland-based WNP Insurance Services, received premium payments by several clients for commercial auto and submitted fraudulent information to insurers about the policyholders' businesses, according to CDI investigators. The fraud exposed the customers to possible uncovered losses, the department indicated. CDI investigators also found Nio assessed clients for unneeded policy changes and then kept the money for personal use.

To date the department has uncovered evidence the actions of Poelman and Nio have produced more than \$62,000 in unwarranted losses for customers and insurers, with more victims of the two coming forward.

ACCOUNT ROUNDING...

**Rounding out the account benefits your agency and your customer!
Increase agency revenue, commissions, customer retention and more.**

Visit www.wiaainsurance.com for additional info.

BACK ISSUES: The WIAA *Weekly Bulletin* back issues can be found on the WIAA website. Simply go to wiaagroup.org and click to the "Guides and Publications" tab to find the WIAA *Weekly Bulletin* archives.

WIAA respects your privacy and does not share or sell your email address to anyone. You are receiving this email because your company is a member of WIAA. Your email was supplied to us in order to send you this weekly newsletter. If you wish to be removed from this mailing list, you may do so by sending an email to bulletin@wiaagroup.org and type "Remove Me" in the subject line. Remember, in doing so you will no longer receive this valuable newsletter.

To reach us by phone, call 1-800-553-4221.

© 2012 Western Insurance Agents Association (WIAA). All rights reserved. Reproduction or quotation whole or in part without written permission is prohibited.