



SCHIFF'S

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INSURANCE OBSERVER

The Ultra-exclusive 'Big I'

The IIAA Responds

On March 13 we published a short piece entitled *The Ultra-exclusive 'Big I': Anyone Can Join*. Our reporter, Isaac Schwartz, a 17-year-old high school student, went undercover, posing as a licensed independent insurance agent. His mission was to find out if he could join the New York chapter of the Independent Insurance Agents of America (IIAANY) even though he was misrepresenting himself as the proprietor of a firm that, in actuality, did not exist.

We chose the "Big I" because it has a well-known logo recognized by consumers. As a result, membership in the organization is likely to have a positive effect on consumers' perception of an agency's credibility.

Here at *Schiff's* we're used to being turned down by all sorts of organizations, for all sorts of reasons. (The New York Financial Writers Association, for instance, rejected David Schiff's membership application twice, arguing that he was *not* a writer. The Association of Insurance Financial Analysts rejected Schiff on the grounds that he *was* a writer.) We weren't sure how the IIAANY would react to Schwartz's attempt to join.

Somewhat to our surprise, he was welcomed, despite his false credentials. Perhaps one of the reasons he was welcomed was the fact that the IIAANY's application asked for little more than his name and address (and, of course, money).

If there was a point to our article, it had something to do with standards. Shouldn't an insurance agency have to meet some standard of quality to become a member in a well-known professional

organization, especially one that is not merely a lobbying organization?

On March 21 we received a letter from the IIAA. We're printing the letter in full, and following it up with a rebuttal.



To the Editor:

We are disappointed with your publication's recent article purporting to be an in-depth investigation of the membership application process of the Independent Insurance Agents Association of New York (IIAANY) and, by extension, all state affiliates of the Independent Insurance Agents of America (IIAA).

Does your publication really believe that membership in IIAA and its state affiliates is acquired simply through a phone conversation? In reality, the phone conversation is the beginning—not the end—of the membership application process. Only after a completed application is in hand can state associations do the background checking that is key to determining eligibility for IIAA membership.

Our disappointment stems from the fact that the reporter did not completely discharge his duties as an investigative journalist. Had Mr. Schwartz—a self-professed 17-year-old, part-time employee—followed through on all his journalistic responsibilities to balance his story with all the facts, he would have found that there is a fairly drawn-out process for membership in IIAANY and other IIAA state associations. The first—and paramount—charge of a reporter is to collect all the facts and to acquire a complete picture of the circumstances he or she is writing about. Mr. Schwartz's single telephone conversation falls far short of this important standard.

If Mr. Schwartz had looked farther into the New York association's membership application process he would have learned that simply returning the completed application does not guarantee membership. Once the New York association receives an application, the claims made by an applicant are reviewed by the state association and by its local boards, who are in a stronger position of familiarity with an agency and are better able to say whether an applicant is eligible for membership.



Similar processes are used by other IIAA state affiliates. In Louisiana, once the state association receives the application, it checks with the Department of Insurance for licensing and violations. In Rhode Island, applicants are required to submit a copy of their property-casualty license and company contracts or appointment letters. The state association then checks with the Department of Insurance to verify the license and with at least one company to confirm the appointments claimed by the agent on the application. In Kentucky, the state reviews the application to make sure the applicant meets all requirements for membership. In Kansas, the membership development director is charged with verifying the applicant is an independent agent, doing so in person when it is most prudent. These and many other IIAA affiliates also require state board approval of all membership applications.

As you can see, while IIAA and its state affiliates are inclusive membership organizations, we do screen all applicants for eligibility to make sure they are independent insurance agents and upstanding members of the profession and their

communities. Consumers can continue to take comfort in knowing that independent agents who are members of the Big "I" are truly members in good standing.

We trust this gives you a more complete picture of the membership application processes utilized by IAA state affiliates. We never accept an applicant based solely on a phone conversation—never have and never will.

William F. Hoffmann III, IAA President
Steven J. Spiro, IIAANY President



Schiff's Insurance Observer replies:

When you don't like the message, shoot the messenger. That seems to be the IAA's approach. Rather than look into the failure of its own procedures, the IAA has decided that the failure lies in our reporting. The facts don't bear this out.

We'll start with some corrections. First, our article didn't purport to be "an in-depth investigation" of the IAA's membership procedure in every state; it was simply a "report" about our experience in New York. Also, we didn't say that membership in the IIAANY could be "acquired simply through a phone conversation." We wrote that an applicant had to complete a superficial two-page application and send in a check for \$475.

Our article recounted what our reporter, Isaac Schwartz, experienced when he inquired about joining the IIAANY. "Balanced" reporting doesn't mean that every negative statement must be offset by a positive statement. Balanced reporting is reporting that's

accurate and, when taken as a whole, is fair and not misleading. We reported the events as they happened (although we condensed certain non-essential facts so we wouldn't bore readers to death).

Our article was based on examinations of the IIAA and IIAANY websites, two information gathering conversations with IIAANY representatives, a review of IIAANY's membership-application packet, and a conversation with an IIAANY rep about Schwartz's application to become a member.

Although Messrs. Hoffman and Spiro express "disappointment" with our journalistic methods, they don't really refute the facts set forth in the article.

The IIAA and IIAANY now say that their application processes are rigorous. If there really is a "fairly drawn-out process for membership in IIAANY," however, the IIAANY's representative kept it a secret when Schwartz was inquiring about membership. Schwartz was told that the membership process was simple: answering "yes" to four superficial questions on the application, signing the membership agreement, and, finally, sending in a check. According to the IIAANY representative Schwartz dealt with, completion of the application and payment of the first year's dues would *guarantee* membership. Furthermore, Schwartz was told that local board approval was *not* required to join the IIAANY. (Our article, demonstrating "balance," noted, however, that "in some regions, local board approval is necessary to join the IIAA.")

In their letter, Messrs. Hoffman and Spiro assert that "once the New York association receives an application, the claims made by an applicant are reviewed by the state association and by its local boards." We suggest they take a good look at the New York application. Although it asks if the applicant holds a valid brokers license, it doesn't ask for license numbers, company contracts, or appointment letters, and the applicant isn't required to make much in the way of "claims."

It sounds like the IIAA's affiliates in Louisiana, Rhode Island, Kentucky, and Kansas have more rigorous application standards than the New York affiliate does.

It would make sense for the IIAA to have meaningful national membership standards. That way, a 17-year-old employee at Schiff's wouldn't be told that his phony insurance agency was guaranteed to become a member of the "Big I." ■

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