

# Risk Management Credit Change FAQs

## GENERAL INFORMATION

### When will the new Risk Management Credit Changes be effective?

The changes are expected to become effective January 1, 2020. The filings should be approved by this date; however, if there are any delays, you will be notified.

### What are the key changes in the Risk Management Credit?

- ▶ Additional 5% Risk Management Credit for each of the following if they are completed (up to total 20% combined):
  - ▶ 50% or more of agency staff attendance at a qualifying Risk Management\* course
  - ▶ Use of coverage checklists\*
  - ▶ Agency Website Operational Efficiency Review by an approved auditor\*
    - \*Risk management course attendance is required for application of the other credits.
- ▶ Risk management credit applies for two consecutive policy terms instead of three.
- ▶ No loss of Risk Management Credit due to claims activity.
- ▶ Staff attendance was simplified to qualify for credit.

### How many people/what percentages of agency staff will have to test out in order to qualify?

The number of staff required to qualify for the RM Credit is shown below. The attendees can qualify using any of the following methods: classroom, webinar, or written test.

Agency Staff Size	Total Required Attendees
1-4	1
5-11	3
12+	25% of staff (Max of 15 attendees)

### How can the agency staff qualify for the Risk Management Credit?

By attending a live seminar, online webinar or passing a written exam.

### Isn't the Risk Management Credit capped at 20%?

Yes, per the rate filing language, the maximum Risk Management Credit is 20%. This does not include the Internal Operational Efficiency Review Credit, which is not part of the Risk Management credit.

### Do you have to qualify for the risk management credit in order to receive the credit for the checklists and the website Operational Efficiency Review? Or are they all independent of each other?

Agencies must qualify for the base 10% Risk Management Credit before the application of any additional 5% credit add-ons (50% or more of agency staff attendance, coverage checklists, website Operational Efficiency Review), up to a maximum of 20%.

### Will we still be able to give a 30-day extension after an agency's renewal date to qualify for credit and endorse the policy?

The qualification period extension is at the underwriter's discretion. As a general rule, most underwriters honor the extension.

### Can you confirm that a policyholder will not lose the risk management credit if they have a claim?

Correct. The Risk Management Credit will no longer be lost due to claim activity of the agency after 1/1/2020.

## AGENCY OPERATIONAL EFFICIENCY REVIEW AND WEBSITE OPERATIONAL EFFICIENCY REVIEW (AUDITS)

### Can the Internal Operational Efficiency Review Credit be applied in addition to the 20% Risk Management Credit?

Yes! The total potential Risk Management and Operational Efficiency Review credit is 30%.

### How do these changes affect the 5-year credit for outside Operational Efficiency Reviews?

The changes to the Risk Management Credit do not impact the current Operational Efficiency Review credit, as they are separate credits.

### Is the Agency Website Operational Efficiency Review different from an Operational Efficiency Review?

Yes, the two are different reviews; however, if an agency has a full Operational Efficiency Review completed by a Swiss Re approved auditor, it will include a website Operational Efficiency Review. The recommendations of the auditor must be implemented to qualify for the additional 10% Credit. In other words, if an agency has an Operational Efficiency Review and has qualified for the risk management credit, they will receive a total of 25% credit.

### Can you discuss how a website Operational Efficiency Review would work?

The agency contacts an approved Swiss Re auditor from the list on the E&O Happens website to request the Review. Once critical and urgent recommendations are implemented, the credit will be applied.

**What if an agency doesn't have a full agency Operational Efficiency Review completed but has a Website Operational Efficiency Review, does the Website Operational Efficiency Review last for 5 years?**

The Website Operational Efficiency Review is valid for 4 consecutive policy terms (4 years). If an agency has only a Website Operational Efficiency Review, they will receive an additional 5% credit as long as they qualify for the Risk Management Credit.

**Does the agency have to requalify for the full agency Operational Efficiency Review Credit every 2 years like the Risk Management Credit?**

No. The full Agency Operational Efficiency Review Credit applies for 5 years (5 consecutive policy terms) regardless of whether the agency has the Risk management credit. Also, it cannot be lost due to claims. If they have the full Agency Operational Efficiency Review, and the Risk Management Credit, the additional 5% for the Website Operational Efficiency Review credit will apply until the Agency Operational Efficiency Review Credit expires.

**What is the cost of the Website Operational Efficiency Review?**

The Website Operational Efficiency Reviews are handled by Swiss Re approved auditors. A list of approved Swiss Re Auditors is available on the E&O Happens website. Each auditor has their own pricing schedule. We do not control their fees for services rendered.

**An agency currently has the Audit Credit/Operational Efficiency Review. Will they be eligible for the Website Operational Efficiency Review Credit after 1/1/2020?**

Yes, but only if they qualify for the Risk Management Credit after 1/1/2020. As long as they have qualified for the credit under the current filing, they cannot receive any of the additional Risk Management Credits until after they qualify under the new filing.

**WRITTEN EXAM AND TESTING**

**Will the electronic testing format be made available with a grading mechanism included immediately?**

This will depend on the vendor used to administer the exam for your state association.

**Are the written exams going to be online?**

This will depend on the vendor used to administer the exam for your state association.

**Are there study materials for the written exam?**

Yes. The study materials are the "Meeting the Challenge of Change" and IRMI Roadmap materials. They will be provided by the vendor that provides the test.

**Who creates the test, how is it taken, and who scores it?**

The bank of questions will come from the Meeting the Challenge of Change modules and IRMI modules. The test will be based upon this bank of questions. The vendor used to administer the exam for your state association will determine the rest.

**Can we file as self-study and provide CE for those who pass test?**

Check with your Department of Insurance regulations regarding self-study. Anyone who completes self-study will still be required to take and pass the approved written exam.

**Is there a limit on the number of times you can test out?**

There are no limits to the number of times someone can take the test to pass it. Moreover, there are no restrictions if an insured would like to use the test-out option each qualification period.

**Is there going to be a cost for the exam option for testing out?**

Each state association will decide if they wish to charge for the exam option.

**Can you give me some additional information as to how the exam option is going to work? Will this qualify for CE? Is there going to be a charge?**

Each state will determine if they wish to allow the testing option. The states will contract with a vendor to deliver the test and will determine what fees to charge. The end user will be required to read the RM content on their own, then take a test and score a minimum of 70% to receive the credit. Some state associations have testing centers within their offices, while others do not. ABEN is currently working on an online testing platform for those not having this capability in-house. CE is an option, but it will be up to each individual state association to file for the credit in their state. Finally, ABEN will charge an amount to cover their costs for this service and hope to have pricing for you soon.

**STAFF REQUIREMENTS**

**Are all owners included in who has to qualify for the Risk Management Credit?**

No, not all owners. The filing states: "Active Agency Principal, Owner, Partner, or Officer is defined as participating in daily operations of the agency; owners who are investors or have no active participation of the agency are not included."

**Does "staff" include part-time employees and unlicensed employees?**

Yes, staff includes all employees of the agency including full-time, part-time, licensed or non-licensed, as well as exclusive independent contractors.

**Does staff also include non-exclusive independent contractors/sub-producers?**

No, staff does not include either of these.

**Do non-exclusive non-employee staff count?**

Staff includes exclusive independent contractors or staff but does not include non-exclusive independent contractors or staff.

**How do we count part-time staff?  
Half or whole person?**

Part-time staff are counted as a whole person. We do not differentiate between full-time and part-time.

**Is there any rounding rules for 25% of staff calculation, that is, if 25% equals 5.5 persons? Is that 5 or 6 staff?**

Any rounding should be done using the next highest whole number.

**What are the rounding rules for determining the 50% staff for the additional 5% credit?**

Any rounding should be done using the next highest whole number.

**RISK MANAGEMENT CREDIT  
REQUALIFICATION**

**What if an agency loses their Risk Management Credit before 1/1/2020? Do they have to wait until after that date or can they requalify before then?**

If an agency loses their current Risk Management Credit due to claims or timing of their renewal before 1/1/2020, they can requalify before 1/1/2020 and they will be subject to the current risk management filing (and can lose credit again for another claim). If they qualify after 1/1/2020, the new Risk Management filing will apply.

**Agency needs to re-qualify prior to the 4/9/2020 renewal date to continue the credit. Since we are past the 1/1/2020 effective date of the changes am I correct that only approved courses completed in the prior 2 years would be eligible as opposed to the current 3-years?**

If an agency qualifies for the risk management credit before 1/1/2020, they will be subject to the current risk management credit criteria. If they qualify after 1/1/2020, they will be subject to the new criteria. The date they qualify for the credit as it is entered into Policy Decisions will determine whether they will be under the current criteria or the new criteria. If they qualify before 1/1/2020, they will have the credit for 3 years and can lose the credit due to a claim. If they qualify on or after 1/1/2020 then they

will have the credit for 2 years but they will not lose the credit due to claims. They may also be eligible for the additional risk management credits for staff attendance, coverage checklists, and/or Website Operational Efficiency Review if they qualify after 1/1/2020.

**RISK MANAGEMENT STUDY  
MATERIALS**

**With so many different types and sizes of independent agency offices from smaller rural agencies to larger urban agencies, how will we address the content of the modules to best address the needs of all types of agencies?**

After consulting with educators, education directors and risk management professionals, it was determined that it would be best to develop a panel of Education Directors, Program Managers and Instructors to act as consultants. . The panel will be a resource if a state association or instructor is having difficulties assembling a class or doesn't have the expertise in a particular area.

**Will you be working with ABEN to develop the live webcasts and online versions of the course?**

Yes, ABEN will continue to develop live webcast replays as well as on-demand versions of the course materials.

**If there are changes to the approved courses as part of new filing, would that have any impact if the agency otherwise met requirements by taking courses that were approved prior to 2020? I am thinking since we are looking back 24 months for approved courses that E&O Risk Management: Meeting the Challenge of Change, E&O Road Maps and any new, approved courses would all qualify until we at least got to the point where reviews did not precede the 2020 year. Is that correct?**

The only change to the courses themselves is the amount of time required, from 6 hours to 3 hours. There will be no change in the risk management materials themselves such as the Meeting the Challenge of Change or the Risk Management Materials developed by IRMI.

**Staff determinations for any agency who needs to re-qualify for credit in 2020 would be based on those requirements of the new filing. Is that correct?**

Yes, the staff requirements are based on the date they qualify for the credit, i.e. the date entered in Policy Decisions for when they attended the class. If it were after 1/1/2020, they would need the staff as stated in the new filing.

**MARKETING**

**When will we hear more about the Risk Management Credit Change?**

We will be providing additional information at this year's E&O Programs Conference and webinars will be conducted in late summer/early fall for education directors, educators and instructors to review the changes.

**Will there be marketing materials developed for use in our newsletter and website?**

Yes, the Big "I" Marketing team is in the process of developing several resources highlighting the change. When the resources are complete, we will post them on SMAC (State Marketing Activity Center) and spread the message of their availability in Insurance News & Views.

*Additional questions may be directed to Richard Lund at richard\_lund@swissre.com.*