



Richard J. Zick, CPCU, AU
President and
Chief Executive Officer

September 25, 2009

James J. Wrynn, Superintendent
State of New York
Insurance Department
25 Beaver Street
New York, New York 10004-2319

Dear Superintendent Wrynn:

Unfortunately, I have not had an opportunity to meet with you and, as such, I certainly welcome you as the new Superintendent. I look forward to working with you on issues as they arise in the future.

That being said, I have been a strong advocate of the Producer Compensation issue going back to the days when former Governor Elliot Spitzer was AG. Back at that time, what was being proposed made no sense for smaller accounts. I have been fully aware, following this through its many reiterations, that there is pressure from all sides on this, i.e., the larger broker firms that caused the contingent issue in the first place now want their slice of the pie back. It looks as though they will be given it. In the meantime, the Main Street agents who had nothing to do with this have been dragged into the issue as it has become overblown with various scenarios, most of which the average policyholder could care less about. I still go back to the issue of the small contractor, i.e., the guy who is paying \$1,000 for his insurance and/or the homeowner who is paying \$1,500 for his insurance, I would be willing to bet if you asked 100 people if they really cared about what the agent made on their account and/or the exact dollar figure or prospective dollar figure of any Profit-Sharing, that 99 of 100 would tell you they do not care.

As you know, this has tended to be a dead issue for a while and then resurfaces with a vengeance and with new characteristics, all of which has been going on for five years. My thoughts are very simple on this – let the companies print on their policies that the agent makes a commission and that the agency has an opportunity for profit-sharing. You then make a very generic statement to follow which reads if the policyholder desires to know the actual dollar figure, they have the right to telephone their insurance agency and be told that number. If they cannot get the information they desire, they could then call the NYSID at their 1-800-number. Instead of spending millions of dollars for compliance, this could all be done for basically



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nothing. Beyond that simplification process, the Department could easily accept a realistic number where the contingency issue could come into play, i.e. please keep in mind that it did not come into play on a \$1,500 Homeowners policy; it came into play on large jumbo accounts. As such, why force the agents to spend this money on compliance when the average policy has nothing whatsoever to do with this? A realistic number may be something like \$10,000 to \$15,000 on a Personal Lines account and \$100,000 on a Commercial Lines account. Anything below those numbers would not be subject to any regulation and certainly not for Renewals within the same company.

I would certainly hope that the Department realizes, and I am sure they do, all of the extra work that this is going to create for what amounts to the general public on the smaller accounts that could care less. The average person goes out and spends \$20,000 for a car and has no clue and/or could care less what the dealer just made or what his incentives were from the manufacturer. Yet, on a \$200 Tenant Homeowner policy, the agent has to inform the policyholder he made \$30 and if all the factors in his profit-sharing come into play, he could make another \$2. I cannot believe this makes sense to everyone in the Department. Lastly, why would you even think about this on Renewals? What changes on these small accounts within the same company? Please keep in mind the mechanics of Homeowners, Auto, and small Commercial accounts. The Renewal Dec Page is mailed out with the Direct Bill to the customer. The agent, for the most part, has not had any expenses with this process. Now you would create a whole new layer of costs.

I look forward to meeting you and discussing items with you through our association with both the New York State Insurance Association and the PCI. I can be reached at: 1-800-456-4556 ext. 3003.

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read 'Richard J. Zick'. The signature is stylized and somewhat cursive.

Richard J. Zick, CPCU, AU
President & CEO
/c

Utica First Insurance Company, a Division of Utica Group, a Subsidiary of Liberty Mutual