



Columns & Rows



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Getting to Know IAASE President, Noreen Eagleston

By Denise Smith, Phone Audit Manager, McGuffey & Associates LLC



Tell the members a little bit about yourself.

I have been married to my husband, Russ, for 34 years. We have one child, a daughter

who is currently finishing up her Ph.D. in environmental science at Virginia Tech.

We're going to be calling her Dr. Eagleston next year, can you tell how proud I am? I like to travel and have done a fair amount of it, since my husband is a retired airline pilot. I dislike going to the dentist! My hobby is art. I also like to hike and bike.

Tell the members about one of your favorite vacation memories:

When our daughter was in high school, we took her on a ski vacation in Switzerland! We had a lot of fun skiing and eating chocolate in the romantic setting of Crans Montana, Switzerland!

What are a few things on your bucket list?

A Viking River Cruise through Amsterdam, Vienna, and Prague is on my bucket list.

Who is someone you admire and why?

I admire Eleanor Roosevelt because she was a strong leader, driven by compassion and a desire to help others.

What is your favorite holiday and why?

My favorite holiday is Thanksgiving because it is a time to reflect and be thankful for all our blessings.

If you could travel anywhere in the world, where would you go?

If I could travel anywhere in the world, I would go to Australia. Our daughter did a year of study abroad in Tasmania, an Island off the coast of Australia, but we never had a chance to visit.

Who is your current employer?

My current employer is Key Risk, a W. R. Berkley Company. I have been employed by them for 3 years and my current role is Sr. Premium Auditor.

How long have you been in the insurance/auditing field?

I have been in the insurance industry off and on for 30 years, between raising a child and teaching elementary education. I have a B.A. in Business Administration and a M.A. in Education. I got my start in insurance as a workers' comp inspector with the State of Texas, then joined NCCI in Denver. NCCI took me from inspector to auditor, when they had the test audit program running out of Denver.

How long have you been a member of the IAASE?

I joined IAASE when I moved to South Carolina and joined Key Risk. While fairly new to IAASE, I have served as

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ABOUT IAASE



The Insurance Auditors Association of the Southeast (IAASE) is committed to the growth, development, and recognition of the premium audit profession. As part of our mission, we encourage and support our members in the advancement of technical knowledge relative to the field of premium auditing and promote recognition of all issues that affect the insurance industry.



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INSURANCE AUDITORS ASSOCIATION OF THE SOUTHEAST NEWSLETTER

The purpose of this newsletter is to share information. Therefore, the articles are published as submitted by the membership. The Insurance Auditors Association of the Southeast accepts no responsibility of the absolute accuracy of the articles published, as they are not for the sole purpose of education or accreditation.

Lisa Maki, Editor, Columns & Rows

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Getting to Know IAASE President, Noreen Eagleston

Continued from page 1

Treasurer for the Rocky Mountain Insurance Auditors Association and Treasurer for the Philadelphia Society of Insurance Premium Auditors. I am currently serving as Vice President of the Insurance Auditors Association of Atlanta (IAAA).

Why do you find it important to be a member of the IAASE?

It is important to be a member of the Auditor's Association for education and networking. I landed two jobs (Key Risk and AIG) through networking. I have learned a lot through the years and am still learning through speakers and peers during meetings. I also have access to very knowledgeable association members who are experts in their areas.

What is your favorite thing about being a member of the IAASE?

My favorite thing about being a member is learning from the knowledgeable members and from the seminars.

What do you find to be the most challenging thing about being a member of the IAASE?

Time commitment seems to be the most challenging aspect of being a member of the local, regional and national associations.

Where do you see IAASE in 10 years?

I see the IAASE as the Education leader for the industry within the next 10 years.

What can you do to help the IAASE get where you it?

In order to help the IAASE become the leader for education, I plan to promote membership and the value of education.

What is one piece of advice you would offer to prospective/new auditors?

The one piece of advice I would offer to prospective or new auditor is, "Listen" you will be surprised at what you hear!

What is one piece of advice you would offer to prospective/new IAASE members?

One piece of advice I would offer to new members is to get involved! The association cannot reach its goals without every member's help!



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Registration

Full Registration - \$299 per person

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Optional Event - Golf Outing

Join us on Wednesday, April 13 for a round of golf at Hawk's Landing Golf Club.

This special event is just \$119 per person and includes:

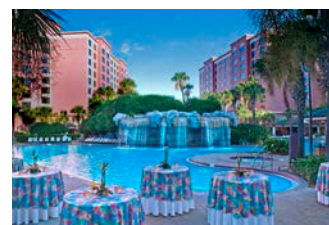
- Green/Cart Fees
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Hotel

Make your reservations on-line at:

<http://tinyurl.com/NSIPA2016>



This hotel WILL sell out!

NSIPA/IASSE has a block of rooms from April 12 to April 16 at a discounted group rate of \$149 plus tax per night for single/double occupancy. Sleeping rooms are assigned on a first-come, first-served basis and reservations must be made by March 22, 2016 to receive the NSIPA/IAASE discounted room rate.

NSIPA/IAASE has committed to a block of sleeping rooms for this event. If you make the decision to stay at another property, not only is it less convenient for you, but it also may negatively affect NSIPA/IAASE financially. We encourage you to reserve your room at the headquarters hotel and to continue to support your professional association.

Visit www.nsipa.org for complete details!



The Effect of Social Media

By Lisa Mäki, LM Consulting Group Inc.

According to a Pew Research Center study published in June 2011, 59% of Americans are part of a social network, with Facebook taking 1.2 billion of those. A whopping 98% of people between the ages of 18-24 are social media users. There is significant variance in the way people use various social networking sites (SNS), however. 52% of Facebook users and 33% of Twitter users participate daily, while only 6% of LinkedIn users do. 18% of women update their Facebook status daily, while only 11% of males do the same. Another oddity is that nearly twice as many men (63%) as women (37%) use LinkedIn, while all other SNS have a significantly higher female (56%) to male (44%) usage ratio. Photos seem to yield the greatest number of comments also (49%).

In looking at those statistics, I ask myself, how does Social Media affect everyday life? The average Facebook user spends around fifteen hours per month on the

site. We use social media for everything from keeping up with friends, to finding out the latest news reports. Social Media can affect the way we act, the way we talk and the way we see others in society. There are many that base their opinions on topics solely on what they read via Social Media sites. Although social media is an unprecedented way to maintain long distance connections with friends and family across great distances, the down side may be fewer meaningful face to face connections and social support locally. So ask yourself, how does Social Media affect your everyday life?

See the full report here:

<http://pewinternet.org/Reports/2011/Technology-and-social-networks.aspx>

As a side note, while taking a seminar class at the University of North Florida in Jacksonville this past semester, we

were introduced to another social media site called WordPress. This is actually a blog site, but we learned that it is now being used to surpass LinkedIn as an employment marketplace. We were encouraged (not really, it was required) to create a site there and upload our bio, résumé, and writing samples on the site. I had never heard of WordPress before so I bought a WordPress for Dummies book but it didn't help much. I eventually muddled through on my own and made the required postings. Along with some research papers and sample audits I posted some past issues of Columns and Rows. I got an "A" on the project! Anyone can create a site for free at wordpress.com, but wordpress.org sites are fee based premium domains.

You are welcome to visit my amateur attempt at: <https://lisamakiconsulting.wordpress.com/>



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“Bare Bones” Description of Operations

Submitted By Benjamin Lehman, Audit Reviewer, Southeast Audit Services-Oviedo, FL

With a bare-bones description of operations are we really doing our job or are we doing a disservice to our customers? The following is a generic description of operations that came across my desk. It is not particularly egregious, so I don't know what made this one jump out at me because I see many just like it each week.

“Insured operates as a convenience store and gas station, located at XXXXX (location removed). 8061-Store employees work at location, helping customers with purchases, making sandwiches, stocking shelves, ordering supplies, cleaning premises, cash register operations, bookkeeping, etc.”

One of our jobs as a premium auditor is to review the duties of the officers and employees to justify the use of the code(s) in the description of operations. Within the Scope of code 8061 there are three determining factors to justify the use of this code. I have abbreviated these below.

- Less than 5,000 square feet devoted to the display and sale of merchandise
- No handling of fresh meats
- Receipts from service
- Food & beverage sales <50% of total receipts
- Gas receipts <90% of total receipts
- Total receipts excluding sale of lottery tickets

Looking at the description of operations can I verify any of these items that would justify the use of this code? You might say “What's the big deal? It's a convenience store with a gas station.”

Is it? How do you know? Without knowing all of the details we can't properly classify the risk or suggest the proper classification.

Because:

- If it is over 5,000 square feet it goes to code 8006
- If they handle fresh meat, fish or poultry it goes to code 8033 or 8031 (depending on the cost percentage)
- If the receipts from gas sales is >90% total receipts it goes to code 8381
- If it has self-service and full service station or performs auto service or detailing it goes to code 8380
- If food and beverage receipts are equal to or exceed 50% of total receipts (excluding lottery), a restaurant class may apply to the location in addition to or in lieu of Code 8006 based on underwriting rules described in Basic Manual Rule 1-A (Rule IV, 1996 edition).

You might still be thinking, okay, still no big deal. They got charged for the highest rated code, the insurance company got their money and everyone is happy. Until...

- A. The NCCI performs a test audit and finds the risk misclassified
- B. An independent insurance consultant comes knocking on the insured's door and says “Hey, let me take a look at your policy and see if you are in the correct code, maybe I can save you some money.”

In either case, they file a dispute. The insured is upset and doesn't understand why they are in the wrong code because they told the auditor what they do. Now the insurance company is questioning our ability as auditors because we did not ask these basic questions that define the scope of the code. In the event the NCCI test audit contradicts our audit, the auditor looks bad, the carrier looks bad and the fee company looks bad.

Bottom line, the insured is upset and possibly looking for a new carrier. The

carrier is upset because they had to issue a refund long after the policy expired and may lose a customer. Furthermore, the carrier is less sure of our ability as an auditor, or equally, the auditing firm to do a good job. A carrier who uses a fee company can think twice about assigning work to them in the future or will at least scrutinize the audits more. Or, worse case scenario, they shop elsewhere. Any of these results is just bad for business.

Additional Note: After this article was submitted for print in the newsletter, another example came to light and we decided to include it here:

Auditor's Original DOO: Insured operates a fast food restaurant; DBA: Charleys Grilled Subs. Employees prepare and serve hot or cold sub sandwiches, fries, salads and non-alcoholic beverages - Class Code 9083.

Corrected DOO: Insured operates a fast food restaurant; DBA: Charleys Grilled Subs. Insured has three locations. The restaurants are located in the food court at the following malls; XXXXX Towne Center, XXXXX Square Mall and XXXXX Mall in Any City. Insured serves a limited menu of hot or cold sub sandwiches, fries, salads and non-alcoholic beverages. Employees take orders, prepare and cook all food to order using common kitchen equipment and cooking utensils, take payment for purchases and do general cleanup of restaurant. No wait staff or table service. No sale of alcoholic beverages. No delivery. – 9083.

That DOO is complete, justifies the code and leaves no doubt that this is the correct code for this risk.

Texting and Driving

By Lisa Mäki, LM Consulting Group Inc.

Motor vehicle accidents are the leading cause of death for teens in the United States¹, with the risk increasing by twenty-three times when texting while driving. One week in November is now designated National Teens Don't Text and Drive Week. On October 1, 2013, Florida banned texting and driving joining a majority of the other states, however there are still some things that parents and guardians can do to help their teen comply.

- First, talk to your teens and communicate the risks involved with texting and driving.
- Set rules to ensure your teens know the consequences of disobeying the rules.
- Make a family pledge and lead by example. Teens are more likely to follow your lead, so stand together as a family to not text and drive.
- Educate yourself. Research the laws regarding texting and driving and the consequences that go along with it. (See chart below, I did the work for you)

Be an advocate for no texting and driving. Help save the life of your teen, your own, or someone else's.

¹Centers for Disease Control and Prevention. Web-based Injury Statistics Query and Reporting System (WISQARS)

Cell Phone and Texting While Driving Laws by State

State	Restriction	Penalty
Alabama	All drivers are prohibited from texting.	Fines for texting are \$25 (first offense) then \$50 and \$75.
Florida	Florida has a limited ban on text messaging while driving.	Florida's texting law is considered a "secondary law." A secondary law refers to the fact that an officer can only pull you over and issue a ticket if the officer has witnessed some other violation – for example, you ran a stop light while texting.
Georgia	All drivers are prohibited from texting while driving.	Offenders are subject to a \$150 fine and one point against their driving record.
Kentucky	All drivers are prohibited from texting while driving.	Text messaging fines are \$25 (first offense) and then \$50, plus court costs.
Mississippi	Only novice drivers – drivers with an intermediate license, a temporary learning permit or a temporary driving permit – are prohibited from texting while driving.	Mississippi's novice texting laws are considered "primary" laws. A primary law means that an officer can pull a novice over for the offense without having to witness some other violation.
North Carolina	All drivers are prohibited from texting while driving.	North Carolina's text messaging and cell phone laws are considered "primary" laws. A primary law means that an officer can pull you over for the offense without having to witness some other violation.
South Carolina	All drivers are prohibited from texting while driving.	\$25 fine for first time violators.
Tennessee	All drivers are prohibited from texting while driving.	Violation of the texting law is punishable by a fine of up to \$50 plus court costs not to exceed \$10.
Virginia	All drivers are prohibited from texting while driving.	Virginia's texting law is a secondary law, which refers to the fact that an officer can only pull you over and issue a ticket if the officer has witnessed some other violation.
West Virginia	All drivers under 18 are prohibited from texting while driving. Hand held cell phone use also prohibited.	Violation of the law is a misdemeanor, punishable by a fine of \$25 for a first offense, \$50 for a second offense, and \$75 for a third offense.

More information can be found here: http://www.ghsa.org/html/stateinfo/laws/cellphone_laws.html

Mail, Phone or Virtual Audits vs. Physical Audits

By Denise Smith, APA, Audit Manager, McGuffey & Associates



Many companies are looking to cut the costs of performing audits. Some of the options they are considering and currently utilizing are mail, phone and virtual audits in lieu of a physical visit with the insured. While cost cutting is important and vital to the bottom line of the company, an accurate premium is equally important.

The term Mail Audit is generally used for an audit being conducted where an auditor sends a form to the insured requesting they complete and return the form. The form will ask questions like total payroll or sales, officers of the entity, key employees, duties and a brief description of the operation. Some carriers require backup documents such as payroll summaries and state unemployment reports before processing the audit. Phone audits are generally performed by the assigned auditor placing calls to the insured in an attempt to obtain the needed information. Some carriers will require the insured to submit backup information via mail/email/fax/online source before processing these also. Virtual audits are paperless, electronic audits that are conducted without face to face interaction between an insured or insured's representative and the auditor. Seasoned auditors are generally assigned to performing virtual audits and the audit report will

contain more in-depth description of operations than a mail or phone audit will. Virtual audits almost always require that backup documentation be provided as well as verification using a second source via mail/email/fax/online upload/etc.

To ensure that all the pertinent information is received from the insured, a well-designed request form along with trained and knowledgeable auditors is crucial. The forms should take the insured through a logical process of the various items needed to compute the proper premium including ownership information, a complete but brief description of operations, payroll, overtime, tips, any severance payments, any non-paid employees, payments to contract labor, subcontractors, etc. or sales, sales tax, freight charges, etc. The forms should always include the insured's name, policy number, and policy/audit term so that the insured recognizes that the audit is not "junk" mail or solicitation mail. Employees who receive, analyze, and process the forms should be knowledgeable of the audit process, classification rules, guidelines, rating procedures, etc. as well as the typical industries which will be audited. They should be provided access to resources such as internet, state rules and manuals, PAAS, etc.



While each of the alternatives to a physical audit are justly important and should include concise and accurate information, they are each less costly than physical audits in that all time is spent processing the information received from the insured or their representative rather than driving time to and from the insured's business, waiting while the contact gathers needed information, waiting while contact attends to office distractions, or very commonly, making a trip to the insured's location to find that the contact forgot about the appointment and the auditor must reschedule. Each option is a good tool to employ when attempting to balance cost with accuracy. The determination of which option to utilize is based upon company requirements which normally take into consideration the type of entity, type of business operations, exposure basis, premium, and insured's willingness to provide information for previous audits.

Additional Note:

Florida Statutes Title XXXI Chapter 440 Workers' Compensation 440.381 (3), establishes minimum audit requirements that employers in all classes other than the construction class be audited not less frequently than biennially and in no event shall employers in the construction class (generating more than the amount of premium required to be experience rated) be audited less than annually. The annual audits required for construction classes shall consist of physical on-site audits.

PUT YOUR COMPUTER TO SLEEP

Activating the Sleep mode (aka Standby) on 1 computer can:

- Prevent 300 lbs of carbon dioxide emissions a year!
- Save \$2 per month
- Help increase the longevity of components
- Protects user data that was active at the time of sleep

Note that older computers and operating systems have another mode called Hibernation. If using a computer with that mode available, it is a more viable alternative to Standby while running on battery power to avoid potential data loss. Sleep is effective in either scenarios, however. On most computers, the user can resume working by pressing the computer's power button, pressing any key on the keyboard, clicking a mouse button, or opening the lid on a laptop. Keep in mind not all devices operate identically, so check the documentation that came with your computer or go to the manufacturer's website to avoid data loss.

The advantage of Sleep vs. Shut Down and Restart is that user data is restored to the point at which the computer entered the sleep mode, allowing the user to rapidly pick up where they left off while saving energy, a win-win.



SHARE YOUR GOING GREEN TIPS
Your ideas can encourage and help others!

Send your tips to Lisa Maki LMAuditGroup@Gmail.Com

General Liability Insured Subcontractor Classifications

Submitted by Kevin Steger, Senior Premium Auditor / Trainer, Builders Mutual Insurance Company

This bulletin will cover the general liability classifications for an adequately insured subcontractor.

Rule 24.F – Total Cost means the total cost of all work let or sublet in connection with each specific project, including the cost of all: labor, materials and equipment furnished, used in the execution of the work, and; fees, bonuses and commissions paid.

Also assign the following to the appropriate insured subcontractor classification: real estate agents who work on the site showing model homes (does not have to be licensed), soil testing, job site cleanup and surveying. Also assign the cost of equipment rental if an insured subcontractor used the rental equipment.

When determining the correct insured subcontractor classification, only consider what the insured risk is responsible for at the job-site, not what type of work the individual insured subcontractors performed.

91581-Construction, reconstruction, erection or repair – not buildings – NOC - Contemplates contracting risks that are not responsible for the construction of buildings. This classification contemplates work performed by the hiring contractor on the individual systems within the buildings and construction work that does not include completing the whole building. Examples of these risks include, but are not limited to: HVAC, electrical, plumbing, painting, flooring, drywall and site clearing contractors, logging and landscaping risks. Code 91581 is an “NOC” classification; this classification should not be used unless none of the other classifications apply

to the responsibilities of the contracting risk being audited. Code 91581 does not contemplate non-contracting risks that hire adequately insured subcontractors; such risks are assigned to code 91591.

The following classifications are for general contractors responsible for the construction of the following buildings:

91582 – Buildings construction, reconstruction, erection or repair of apartment or office buildings over four stories.

91583 – Buildings construction, reconstruction, erection or repair of one or two family dwellings. There is no height restriction, only the number of families restricts the use of this classification.

91584 – Buildings construction, reconstruction, erection or repair of buildings for industrial use.

91585 – Buildings construction, reconstruction, erection or repair of buildings – NOC (Includes residential dwellings for more than two families and apartments or office buildings that are four stories)

The following classifications are for contractors responsible for the completion of:

91586 – Oil and gas field construction, reconstruction and repair.

91587 – Pipeline (other than oil or gas) or communication or power line construction, reconstruction or repair. Includes adequately insured subcontractors of risks working on sewer or water lines.

91588 – Bridge, tunnel or elevated street or highway construction, reconstruction or repair.

91589 – Street or highway construction, reconstruction or repair – not elevated.

The following classification is for service (non-construction) contractors such as:

91591 – Other than construction related work. If the classification is sales based and installation is included don't use code 91591 for insured subs. However, if the classification is sales based and the scope of the code states to separately classify installation, service and repair then assign 91591 to the adequately insured subs. Examples of businesses that would have insured subs assigned to code 91591 are: Lawn Care, Tree Work, Surveyors, Engineers/Architects, Janitorial Services, Carpet Cleaning, Chimney Cleaning, Street Cleaning, Septic Tank Cleaning, Swimming Pool Servicing, Interior Decorating, House Furnishing Installation, Garbage, Ash or Refuse Collection, Alarms Monitoring, etc.

PAAS EB: 01-04.02 and 05-06.06

NCCI amended rate filing likely to be approved by the OIR, represents a 60% cumulative reduction in FL WC rates since 2003. Insurance Commissioner McCarty asserts this will bring new jobs to FL.¹

Berkshire Hathaway GUARD Insurance promotes growth in Florida with new product BizGuard plus, incorporating worker's comp, business and umbrella coverage. Organization carrier include: AmGUARD, EastGUARD, NorGUARD and WestGUARD.²

Florida based Normandy Insurance, currently providing only workers comp coverage in Florida, plans to broaden its offerings as a full service provider.³

Top 10 Workers' Compensation Insurers

(Ranked by A.M. Best based on net premiums written 2014)

1. Travelers Insurance
 2. Hartford Insurance Group
 3. American International Group
 4. State Insurance Fund WC
 5. Liberty Mutual Insurance Co
 6. Berkshire Hathaway Insurance Group
 7. State Compensation Insurance Fund of CA
 8. Texas Mutual Insurance Co
 9. Chubb Group of Insurance Companies
 10. W.R. Berkley Insurance Group
- Zurich came in at number 11, succeeded by Great American P & C,

Accident Fund Group, CNA Insurance Companies, AmTrust (number 18), Pinnacle Assurance, Nationwide Group and Auto-Owners Insurance, all in the top 25.⁴

¹Amy O'Connor, ed, "NCCI Requests Review of Florida Workers' Comp Rate Filing," Insurance Journal (Focus on Florida), Volume 93, No. 22, Wells Media Group, (San Diego, CA: November 2015), 8.

²Amy O'Connor, ed, "NCCI Requests Review of Florida Workers' Comp Rate Filing," Insurance Journal (Focus on Florida), Volume 93, No. 22, Wells Media Group, (San Diego, CA: November 2015), 14.

³Amy O'Connor, ed, "NCCI Requests Review of Florida Workers' Comp Rate Filing," Insurance Journal, Volume 93, No. 22, Wells Media Group, (San Diego, CA: November 2015), 53.

⁴Amy O'Connor, ed, "NCCI Requests Review of Florida Workers' Comp Rate Filing," Insurance Journal, Volume 93, No. 22, Wells Media Group, (San Diego, CA: November 2015), 520

The New Chip Card



You have probably seen or been issued a new debit or credit card recently with an odd looking gold square embedded in it. You are the proud owner of a Chip Card. The U.S. lags years behind Europe in payment card chip technology, targeted to significantly reduce fraud, but there are still a few drawbacks both for consumers and merchants.

The debit or credit card in your wallet works simply by swiping the magnetic strip into the card reader, then entering your pin or providing a signature. The magnetic strip that sends the data to the payment processor to complete the sale is the potential fraud generator. Currently, the magnetic strips can be replicated

by counterfeit card makers, or the data itself can be used online, over and over again until the card is canceled. The new chip reader sends a temporary code to the payment processor in conjunction with your pin. The code can be used only once for the limited amount of time it takes for the transaction to be processed by the merchant. Once the code is used it expires, therefore, even if the code is intercepted, it is useless. When your receipt prints out, you will notice a series of codes and numbers at the bottom which confirms the transaction was verified.

Now for the drawbacks. Despite the 10/1/15 effective date, many merchants still do not have the machines required to accept the cards. The good news though, is the new cards still include the magnetic strip and will work as usual for those merchants. Currently most POS counterfeit fraud is absorbed by card issuers. More bad news, though, if a chip card is presented to a merchant who has not adopted the new chip technology, liability for counterfeit fraud may shift to

the merchant. The good news, merchants may be able to avoid costly upgrades by purchasing a component that attaches a chip reader to existing card readers. This requires the consumer to swipe the magnetic strip, then insert the card into the chip reader and also enter the pin to complete the transaction. And the bad news, these transactions take much longer at the register than the swipe and go transactions we are accustomed to. Also, it is important to note most POS terminals require the card to be swiped and then quickly removed. The chip readers require the card to remain inside the card reader throughout the entire transaction process. This will be a learning curve for consumers as well as merchants, trying everyone's patience this busy holiday season.

For more information on chip reader technology:

http://www.firstdata.com/downloads/thought-leadership/EMV_US.pdf

www.emvco.com

LM