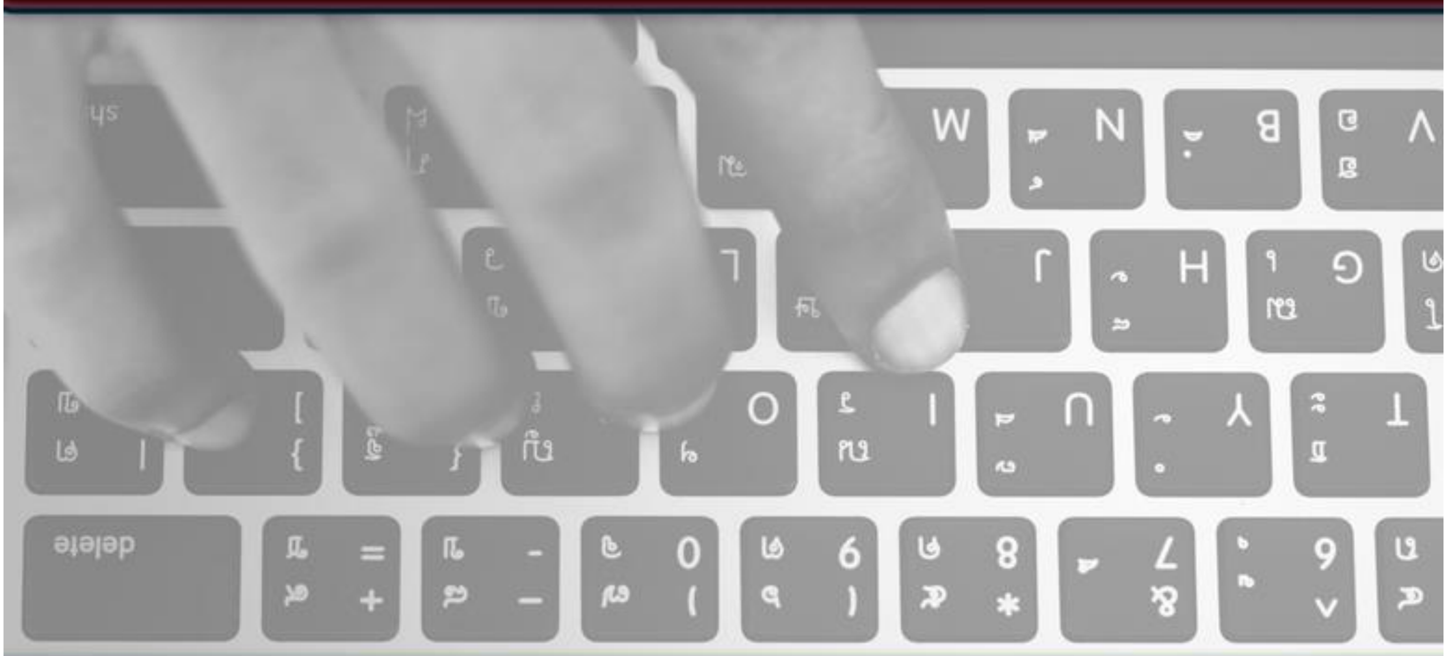
A PARTICULAR SET OF SKILLS



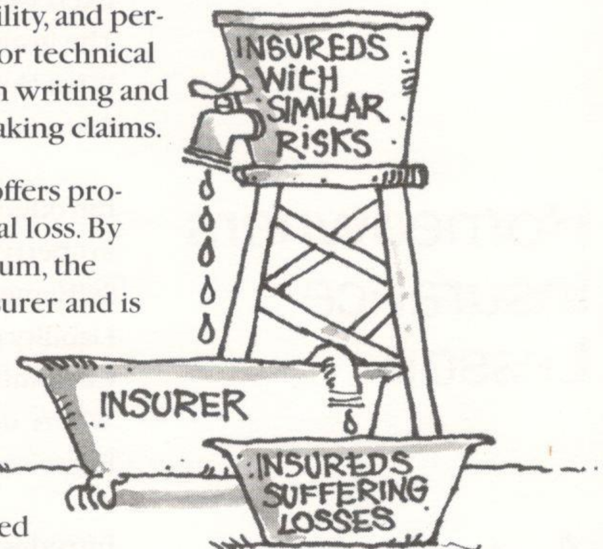
NEW CSRs & AGENTS

Contents

INTRODUCTORY LESSON

What Is Insurance?

Insurance policies can be difficult to understand and even more difficult to explain to your customers. Few customers are knowledgeable about insurance, and yet they have very real insurance needs – for automobile and homeowners insurance and, in some cases, for extended coverage for personal articles, personal liability, and personal boats. They look to you for technical knowledge and guidance when writing and renewing their policies and making claims.

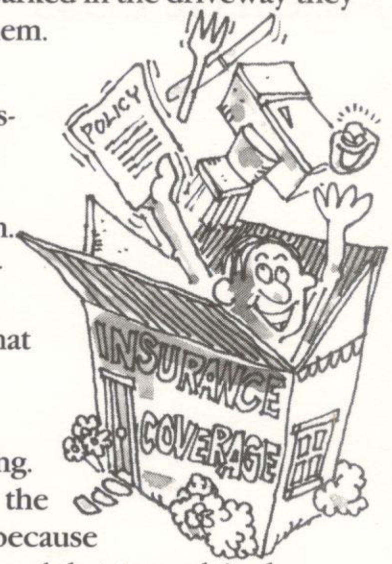


Insurance is a product that offers protection from the risk of financial loss. By paying a relatively small premium, the insured transfers risk to the insurer and is protected from a much larger loss. The insurer shares risk by collecting premiums from many insureds and pooling the premiums in a large reserve fund. While each insured may experience occasional losses, these happen only on an irregular and uncertain basis. Losses that do occur are paid from the reserve. The diagram above summarizes this relationship.

As a product, insurance is much like other products our customers buy. Insurance companies – like other manufacturers – identify profitable groups of customers, design products with benefits that will attract those customers, and then sell those products through distributors (agents and brokers). Yet most customers fail to recognize the benefits of insurance as readily as they do the benefits of other products. Consider the example of a car that was used in the video.

Customer need:	TRANSPORTATION	INSURANCE
Product:	CAR	POLICY
Benefits:	STATUS AND STYLE LUXURY ECONOMY	PROTECTION PAYMENT OF LOSSES LESS WORRY

Car manufacturers design cars with features and styling that will appeal to specific customer groups. Through advertising they highlight those special features and—with the help of car dealers—convince prospects to buy. Car buyers have little trouble appreciating the benefits of their purchase. Whenever they drive their cars or see them parked in the driveway they are reminded of what the product does for them.



Not so for insurance policies. Insurance customers purchase policies, file them away, and in most cases are reminded of the insurance only when it is time to pay the premium again. Since actual losses are rare, they equate insurance with the policy—not the protection, the payment of losses, or the good nights' sleep that the policy represents.

This makes your job all the more challenging. You need the technical knowledge to explain the features and terms of insurance policies. But because of the nature of the product, you must go beyond that to explain the benefits of the coverage. You must tell your customers how they will feel once they are covered.

Prospects become insureds because they believe insurance will help them solve a problem or take advantage of an opportunity. They renew their policies because they believe your agency has not forgotten their best interests and because they are getting value-added service. Such service is continuous and repeats itself over policy periods—identifying the prospects' loss exposures, selecting the best coverages, convincing them to use your agency, encouraging them to buy optional insurances, answering questions accurately, resolving billing problems, and addressing their changing insurance needs.

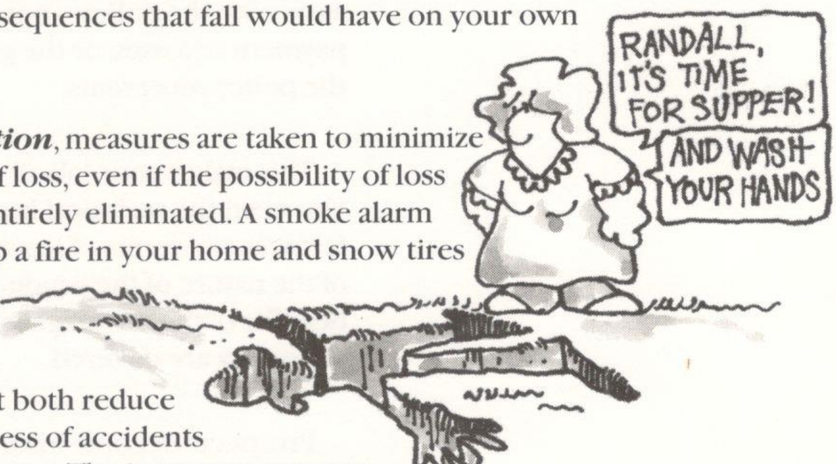
Your answer to the question "What is insurance?" must go beyond policy coverages and features to include those services and benefits your customers will enjoy once they have your product.

Forms of Protection Against Loss

Your customers own property and engage in activities that expose them to loss. Some occurrences causing loss happen on a regular basis, some happen infrequently, some are possible but have not happened yet, some could not happen. By analyzing and identifying the frequency and severity of such risks, the customers' exposure to loss can be reduced or covered.

Insurance is not the only form of protection. In ***prevention***, property or procedures are modified to eliminate any possibility of loss. Giving up skydiving eliminates your liability of falling on someone, not to mention the consequences that fall would have on your own health.

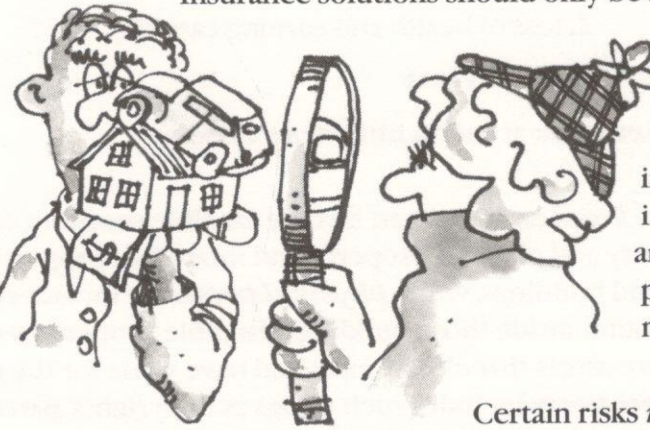
In ***reduction***, measures are taken to minimize the extent of loss, even if the possibility of loss cannot be entirely eliminated. A smoke alarm may not stop a fire in your home and snow tires may not stop your car from skidding, but both reduce the seriousness of accidents that might occur. The insurance company sometimes sends pamphlets and brochures to its customers to advise them on reducing loss.



In ***retention***, the customer decides to retain those risks that are relatively inexpensive. When deciding not to carry collision coverage on an older car, the customer is retaining risk. Any losses resulting from damage to the car will come out of the customer's pocket. The customer might retain only part of that risk by carrying collision coverage but with a deductible.

Some exposures cannot be eliminated or retained, and the risk must be ***transferred*** to an insurer. Without insurance few families could afford the property or liability risks of owning a car, a home, a boat, or any other valuable personal property. In some cases the customer does not have a choice. Auto registration is not permitted without insurance, and banks require insurance on automobiles and homes that they finance.

Insurance solutions should only be suggested when there is a clear understanding of the customer's situation. Obviously the final decision about what insurance to purchase rests with the customer. But in many cases that customer is looking to you for advice. That is what an analysis of the customer's risks provides—a sound basis for recommending a program of insurance.



Certain risks ***must*** be protected against because the loss would cause severe suffering. These risks call for ***essential coverages***. Auto coverages required by law and mortgage coverage are in this category. Some risks may result in considerable loss which might jeopardize the financial condition of the customer. These call for ***desirable coverages***. Other risks may have only a remote chance of occurring or may cause only a financial inconvenience. These risks call for ***optional coverages***—insurance that would be nice to have but only if the customer's budget permits.

Insurance packages today have been designed to meet the varied needs of most individuals. In many cases your customer's needs for essential, desirable, and optional coverages are available in those packaged policies which can then be customized through the use of deductibles and endorsements. Analyzing the needs of the customer and selecting the appropriate coverages and loss control measures is the first step to providing value-added service for your customers.

What Does Insurance Protect Against?

We said that insurance offers protection against the risk of financial loss. In this section we will look at the ***causes*** of such loss and the ***kinds*** of loss that can result. We will also define some frequently used insurance terms.

There are three major kinds of financial loss:

1. property loss
2. loss of health and earning capacity
3. liability loss

Let's look at each a little more closely.

Property losses can involve tangible property, which includes real property and physical property, and intangible property. ***Real property*** is land and buildings, while ***physical property*** includes possessions and items found inside those buildings. Tangible property is easy to identify; these are assets that clearly exist and have value for the owner. ***Intangible property*** includes such things as copyrights, patents, or the right to use something – things that cannot be touched or seen but that still have a definite value for the owner.

Consider the following accident to see the kinds of property loss that can result:

A house that is owned by Mrs. Jones and rented to the Smith family burns to the ground. Most of the furniture is owned by Mrs. Jones, while the rest of the items in the home belong to the Smiths. All are destroyed in the fire.

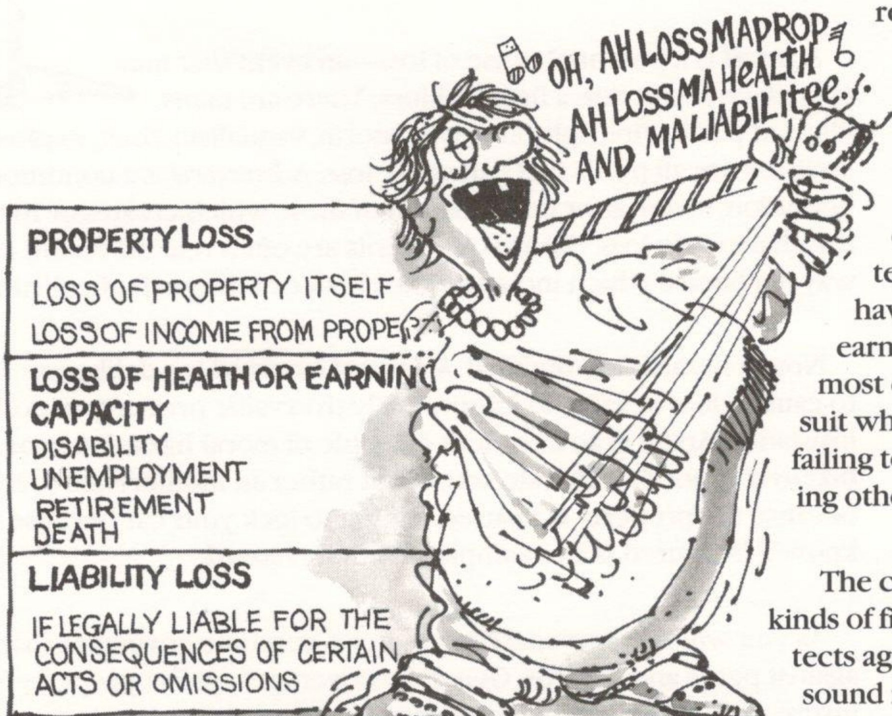
In this accident, Mrs. Jones has experienced a loss to her real property – the house itself. She has also suffered a loss to her physical property – the furniture burned in the fire. The Smiths too suffered a loss to their physical property – their personal possessions – and a loss to their intangible property – the right to occupy the space they rented in the home. And the property loss goes beyond this. Mrs. Jones will lose future income – her revenues will stop because the Smiths will no longer pay rent and her expenses will increase if she decides to rebuild the house.

A ***direct loss*** results when the property comes into direct contact with the cause of the loss. An ***indirect loss*** results as a consequence of the direct loss. In the above example, the direct loss is the loss of the home, the physical property, and the right to occupy the rental space, all of which resulted directly from the fire. The indirect loss is the loss of net income that Mrs. Jones will experience as a consequence of the fire.

What then are property losses? As you can see, the answer is not as simple and straightforward as you would expect. ***Property losses*** include the obvious loss to the property itself, but also the loss of future income resulting from the loss of that property. That loss of income may result from decreased revenues or from increased expenses to repair or replace the damaged property.

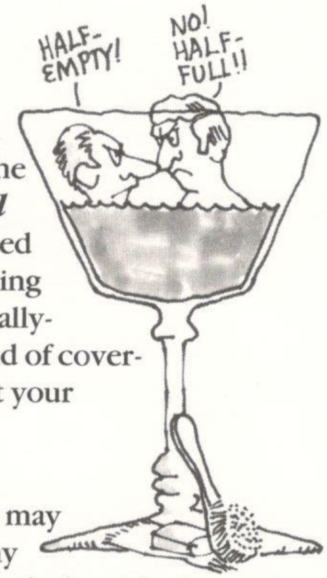
Loss of health and earning capacity is the second kind of financial loss. Disability, unemployment, retirement, and death all have the potential of eliminating sources of income and draining a family's bank account. There are many forms of protection against the loss of health or earning capacity, including life and health insurance, unemployment and disability compensation, financial services (such as individual retirement accounts), and specific coverages in personal lines products.

The third category is ***liability loss***. Such a loss results when the individual is found legally liable for the consequences of acts or omissions resulting in damages or losses to other parties. Financial losses that result can include legal fees, court costs, fines, the amount of judgments awarded by the court, the costs of out-of-court settlements, and the long-term effect that a lawsuit might have on the person's reputation and earning capacity. Negligence is the most common reason for a liability lawsuit where the defendant is charged with failing to exercise proper care in protecting others.



The chart at left summarizes the kinds of financial loss that insurance protects against. Your goal in developing a sound insurance program for your customers is to provide protection in each of these areas. As we examine various personal lines products, you will see how coverages have been included to cover potential losses in each of these areas.

What causes such losses? There are many possible accidents, events, and conditions that can result in financial loss. When customers suffer a loss, they will usually notify you of the accident. You must get the facts and verify coverage. You must analyze the cause of the loss to determine whether the specific circumstances of the accident or event are covered in their policies.



Some coverages (***specified peril***) protect only against causes that are actually named in the policy. If the loss is caused by a peril that is not named in the policy, the loss is not covered. Other coverages (***all risk***) protect against all perils except those excluded in the policy. This may seem like saying the same thing in two different ways – much like describing a partially-filled glass as half-full or half-empty. Actually the kind of coverage will have an important effect on whether or not your customer is covered.

A ***peril*** is a potential cause of loss – an event that may take place and create a financial loss. There are many kinds of perils. Fire, lightning, windstorm, vandalism, theft, explosion, and collision are all perils that can cause loss. A ***hazard*** is a condition, activity, operation, material, or combination of these which creates or increases the chance of a loss. Hazards and perils are often related. Ice on the highway is a hazard which increases the chance of the peril of collision.

Not all hazards are physical. A ***moral hazard*** is a deliberate attempt to cause a loss or even to intentionally overvalue property to collect the insurance. Arson is an excellent example of moral hazard. A ***morale hazard*** is not a deliberate action but rather an indifference to loss because the property is insured. Failing to lock your car because you know it is insured is an example of morale hazard.

As you will see, personal lines policies combine coverages that protect against perils and hazards. Generally coverages against property loss insure against perils, while coverages against liability loss insure against hazards. Yet the terms peril and hazard both define cause of possible loss, for which insurance provides protection.

Exercises

Complete the following questions and exercises to test your understanding of basic insurance terms and concepts. When you have finished, check your answers in the answer book. If possible, it may be advantageous to discuss these exercises with more experienced people in your agency.

Write the letter of the term at right next to its definition in the left column.

___ 1. eliminating all possibility of loss
___ 2. failing to exercise proper care in protecting others
___ 3. indifference to loss because it is covered by insurance
___ 4. condition that increases the possibility of loss
___ 5. fund from which loss payments are made
___ 6. product that offers protection from the risk of financial loss
___ 7. collecting premiums from many insureds with similar risks
___ 8. deliberate overvaluing of property to collect insurance
___ 9. land, buildings, and items found in those buildings
___ 10. minimizing the extent of loss
___ 11. what a customer enjoys from any product
___ 12. when the customer assumes all or part of the risk
___ 13. disability is an example of this type of loss
___ 14. potential cause of loss
___ 15. a loss resulting as a consequence of the direct cause of the loss

a) reserve
b) morale hazard
c) sharing the risk
d) moral hazard
e) benefits
f) hazard
g) insurance
h) peril
i) prevention
j) negligence
k) reduction
l) indirect loss
m) retention
n) tangible property
o) loss of health or earning capacity

True or False?

___ 16. It is more difficult for our customers to appreciate the benefits of insurance than other products.

___ 17. Collecting premiums from many insureds facing similar risks allows the insurer to transfer the risk.

___ 18. Retention minimizes the insured's extent of loss.

___ 19. Another name for insurance is transfer.

___ 20. Including a deductible in coverage means that the customer is retaining a part of the risk.

___ 21. All of a customer's risks should be covered by insurance.

___ 22. Prevention eliminates any possibility of loss.

___ 23. Legally liable means that the person is responsible for a loss in the eyes of the law.

___ 24. Negligence is often the basis for liability lawsuits.

___ 25. Specified peril coverage covers perils not named in the policy.

___ 26. All risk coverage covers perils unless they are specifically named as excluded in the policy.

___ 27. Verifying coverage means analyzing the cause of loss to determine whether that loss is covered in the policy.

___ 28. Coverage against liability loss usually protects against perils.

___ 29. Bad weather at an airport is a peril that increases the hazard of crash.

___ 30. Sometimes insurance coverage is required by law.

Answer the following in your own words.

31. List three ways that insurance companies are like other manufacturers in producing and selling their products.
    a)

    b)

    c)

32. Customers look to insurance agencies for value-added service. List as many services as you can think of.

33. When starting to work with a new customer, why is it a good idea to start by analyzing and identifying that customer's exposures to loss?

34. Give your own example of a measure that can be taken to prevent a loss. Give one that will reduce the extent of a loss.

35. What is the difference between essential, desirable, and optional coverages?

36. What is the difference between tangible and intangible property and why do both require coverage?

37. Give an example of your own that shows the difference between a direct and indirect loss.

38. Bob Russell notices that the brakes on his car are squealing and not working as well as they should. However, he doesn't have time to get the car serviced. Later that week his brakes fail and he rear-ends a car that is stopped at a red light. It will take two weeks to get new parts and make repairs to Bob's car. The other car is totaled and the driver will be hospitalized for a week. Analyze the loss by answering the following questions:

What property loss was sustained in this accident?

The other driver has been disabled for at least a month. What kind of loss is this?

In your opinion who is legally liable for this accident and on what grounds?

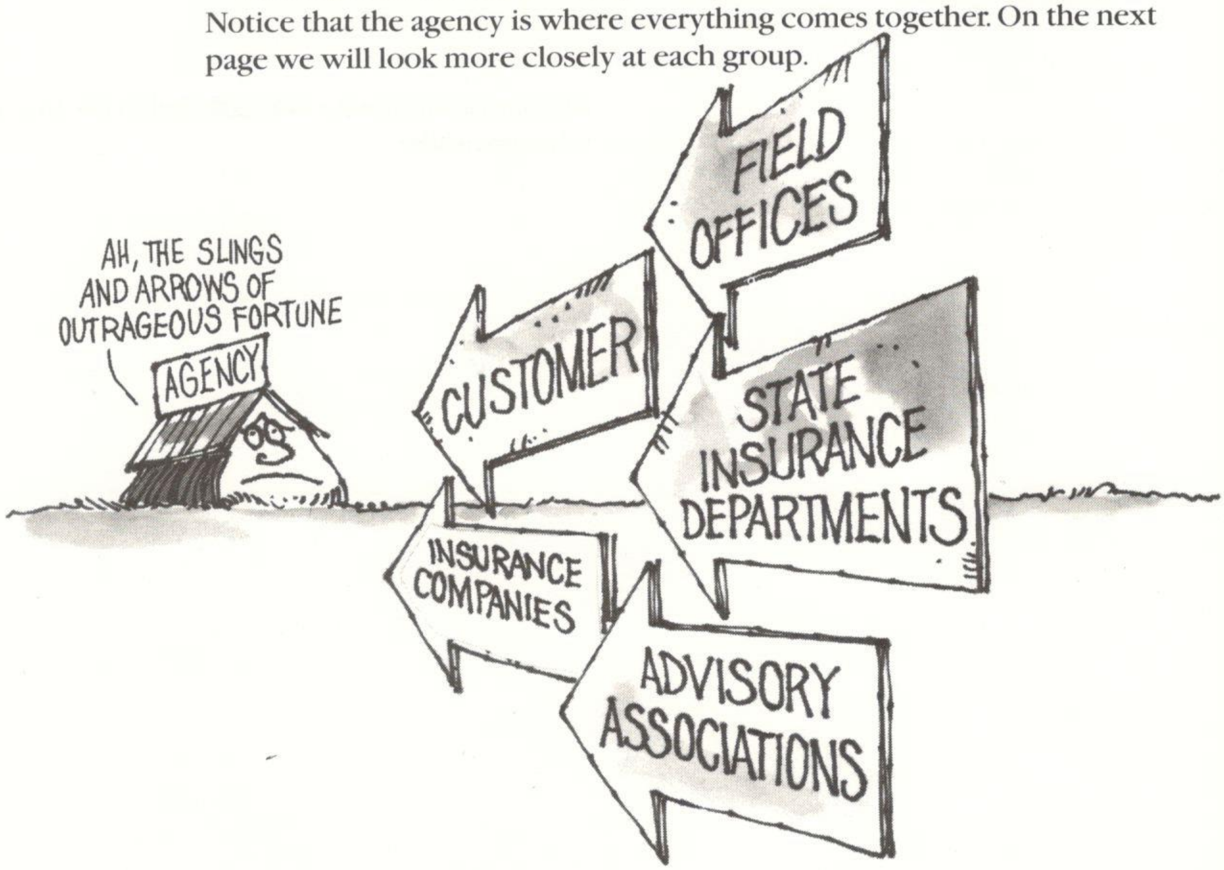
The Insurance Marketplace

The analogy between insurance and other products goes beyond customer needs, products, and benefits. In every industry products must be manufactured and distributed to the consumer through retail channels. Often it is not the product itself but the service and distribution that make the sale.

Each insurance company – like other manufacturers – offers product lines (insurance policies and packages) with many of the same features (coverages) and benefits (protection and service) as the competition. Insurers – like other manufacturers – have little direct contact with their consumers. The link between insurers and their customers – the point-of-sale contact – is the agency. ***You*** evaluate the needs of the customer, ***you*** guide their choices, ***you*** select from competing products that best meet their needs.

In this section we will look briefly at the insurance marketplace to see where you and your agency fit in. We will examine the relationship between the insurance company, the agency, and the customer. Finally, we will summarize your function and the skills you need to best serve the customer.

This chart shows the various participants in the insurance marketplace. Notice that the agency is where everything comes together. On the next page we will look more closely at each group.



There are two basic types of insurance companies. In ***stock companies,*** money and capital are raised by selling shares on the stock market. Shareholders receive a return on their investment as the value of the stock increases and as they share in the profits of the company. Profits are distributed to the shareholders through the payment of stock dividends.

Mutual companies are owned, not by shareholders, but by the policyholders themselves. Money and capital are raised by selling policies. Theoretically, there is no profit in a mutual company because all surplus money is distributed back to the policyholders through policy dividends.

The business goal of both types of companies is to make sure that income from premiums and investments is in balance with the operating expenses and losses that are paid out in claims. Insurance companies reach this goal by identifying profitable groups of customers – those who should not have losses that are high in comparison to the premiums they pay. To attract those customers the companies design products with favorable policy formats, coverage content, optional coverages, and financing methods. They also improve their service functions in such areas as claim-handling, loss prevention, and policy renewal.

Advisory associations are organized and supported by the insurance companies. These associations standardize policy forms, file insurance rates and supporting data with the states, and promote the goals of the insurance industry through education and public relations programs.

Before new policies and rates go into effect, they must be approved by the ***state insurance departments***. States have their own insurance laws and codes which are administered by these departments. Their activities include licensing agents and companies to do business in the state, accepting or rejecting rate level adjustments, and investigating reported violations of insurance codes.

Once the policies and rates are approved, each company must decide how it will merchandise its products. Insurance companies have devised different ways of marketing their products. Some companies operate ***field offices*** in areas or territories where they do significant business. This enables them to provide such services as underwriting, rating, policy issuance, premium collection, auditing, and claim-handling in offices that are close to the agent and the customer. Obviously such offices cost money, so some companies work through ***general agencies*** – independent agents who are appointed to provide these services for commission.

At the agency level, too, there are several approaches. The ***independent agent*** operates as an independent business and usually represents more than one insurance company. This agent places business with the company that best meets customer needs. Renewals can be moved from one company to another if service or claim procedures become unsatisfactory. The independent agent negotiates premiums and commissions to best benefit the client and the agency.

The ***exclusive agent*** represents only one insurance company and in fact has a contract to sell insurance only for that company. Exclusive agents are not employees of the company. They set up their own offices, hire their own staffs, and receive commissions for their sales.

Some insurance companies are ***direct writers*** of insurance. They use employees to work with their customers. These employees are sometimes called contract agents. The major difference between independent agents and contract agents is ownership of renewals. The independent agent owns his or her renewals. If the agent should terminate a relationship with a company, the agent can place the customer's business with another company. If a direct writer terminates that relationship, the company owns the business.

Instead of representing insurance companies, ***brokers*** represent their clients. Theoretically this neutral relationship allows them to provide impartial service and advice to the insurance buyer.

Having identified these various groups, what is the relationship that exists between the customer, the insurance company, and the agent? As we said, the customer has specific needs for protection and service. Customers for personal lines of insurance are subject to risks that can have a devastating effect on their financial situations.

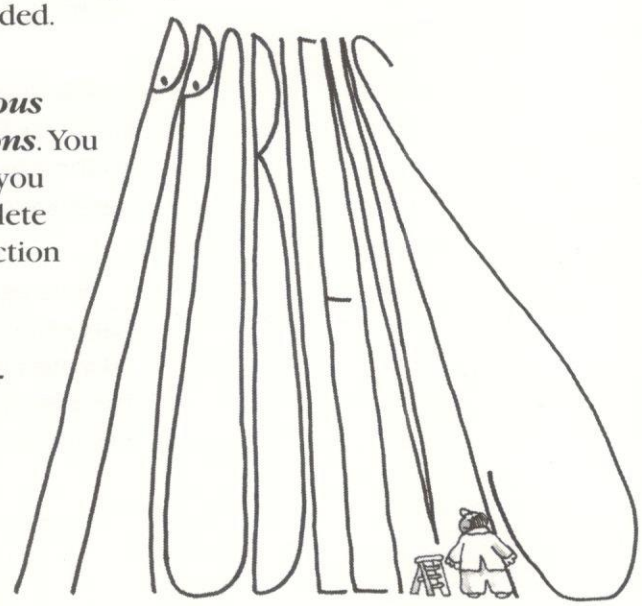
The insurance company must work closely with its agents to solicit business from those customers. It provides overall support and guidance to the agents and educates them to the highest standards. It backs the agents with prompt and equitable service.

Your agency evaluates the needs of the customers, identifies their exposures to loss, and guides their choices of coverage. By trying to handle all your customers' insurance needs, your agency not only increases sales but also reduces the chances that the customer will be lost to the competition.

What Skills Do You Need?

As an agency professional, you have several important functions. Since you represent the agency, you must ***maintain a good public image***. This goes beyond courteous treatment. It is extremely important to provide complete and accurate information, even if that means taking extra time to make sure you are right.

You must ***understand insurance terms and coverages***. You must have a thorough technical knowledge to provide clear explanations and to know when coverage is needed.



You must ***perform various sales and service functions***. You must have the attitude that you can provide the most complete and most convenient protection available.

You must ***be a problem-solver***. To do this you must make your customers feel comfortable, discover their needs through questioning and listening, and suggest possible solutions. At times you must also provide support – especially when the insured has suffered a loss – by listening, expressing understanding, and following up.

As you continue through the lessons in this package, you will see some examples and have a chance to practice these customer service skills.

Exercises

Complete the following questions to test your understanding of the insurance marketplace.

True or False?

___ 1. It is more than the features and benefits of insurance policies that convinces the customer to buy—it is also the way the policies are sold and serviced.

___ 2. There is usually a great difference between the policies offered by different insurance companies.

___ 3. Stock insurance companies are owned by shareholders, mutual companies by policyholders.

___ 4. An insurance company makes profits when its investment and premium income is greater than its expense of running the company and paying claims.

___ 5. Insurance companies will usually write policies for as many customers as possible, regardless of the risks those customers face and their claim histories.

___ 6. An important function of insurance advisory associations is to standardize policies and forms offered by the various insurance companies.

___ 7. Once an insurance company develops new policies with specific premium rates, those policies automatically go into effect in any state the company decides to offer them in.

___ 8. In many states agents must be licensed by the state's insurance department before doing business in that state.

___ 9. Different insurance companies have devised varying ways of providing service in the field and working with agents.

___ 10. A major difference between independent and exclusive agents is that independent agents represent more than one insurance company while exclusive agents represent only one.

___ 11. All agents work on a commission basis.

___ 12. Learning the customer's needs and customizing the policy to those needs is another example of value-added service offered by the agency.

___ 13. Agencies who serve all of a customer's insurance needs are in effect guarding that customer relationship from the competition.

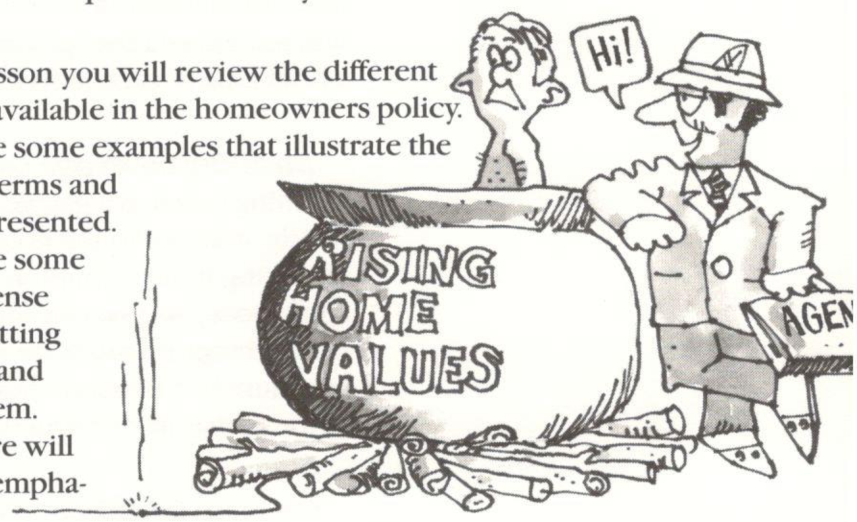
14. As you saw in this section, a whole organization exists to develop and offer policies to meet the needs of the customer. Summarize in a few paragraphs the functions of the insurance agency within that organization.

HOMEOWNERS INSURANCE LESSON

As we discussed in the video, a home is the biggest single investment most of us ever make. Possible loss of that investment requires each homeowner to make an intelligent decision about insurance. In making that decision the homeowner depends on you to help determine risks and to select proper coverages.

The homeowner faces many possible causes of financial loss. Damage to the property, to the house itself, to the personal property inside, or injury or damage to other people or property are all exposures that can be covered by some form of insurance. Packaged homeowners policies allow the homeowner to cover both property and liability risks in a single policy.

The homeowners policy is a contract between the insured and the insurance company. It lists the coverages, limits, and premiums selected by the insured, describes what those coverages protect against, and explains through conditions and exclusions when there is coverage and when there is not. There are many options which enable you to customize the policy to the specific needs of your customers.



In this lesson you will review the different coverages available in the homeowners policy. You will see some examples that illustrate the insurance terms and concepts presented. You will see some common sense rules for getting customers and keeping them. Finally, there will be special emphasis on the customer service skills presented in the video—communicating with the customer via the telephone and the mail.

Property Coverages in the Homeowners Policy

Most of today's homeowner insurance policies combine several coverages into one package. Some coverages are basic and always included in the policy, others are optional and allow the insured to select additional protection for additional premiums. All of the coverages selected, with their limits and premiums, are shown on the declaration page. An example showing both property and liability coverages is shown below.

COVERAGES	LIMITS OF LIABILITY	PREMIUMS	
A-DWELLING	$120,000	$ 549	
B-OTHER STRUCTURES	$ 12,000	INCLD IN A	
C-PERSONAL PROPERTY	$ 60,000	INCLD IN A	
D-ADDITIONAL EXPENSE	$ 24,000	INCLD IN A	TOTAL POLICY PREMIUM
N-PERSONAL LIABILITY	$100,000	INCLD IN A	$ 549
O-MEDICAL PAYMENTS TO OTHERS	$ 1,000	INCLD IN A	

Property coverage protects the dwelling, other structures on the property, and personal property. The homeowners policy also provides compensation for additional expenses after a loss. Additional payments may also be made for certain stated expenses or losses. Claim payments will not exceed the specified limit of liability for each coverage. Let's take a brief look at each individual property coverage.

Dwelling coverage covers the dwelling, structures attached to that dwelling (such as a garage, carport, or breezeway), and fixtures permanently attached to the house (such as a furnace, woodburning stove, plumbing fixtures, built-in air conditioning system, and certain kitchen appliances). As you can see in the example above, the premium for dwelling coverage includes the premiums for most of the other coverages. That premium will depend upon many factors, including the replacement value of the house, its construction, the deductibles selected, and location.

Coverage for ***Other Structures*** covers those buildings and structures that are on the insured premises but completely separated from the house or connected only with a fence or utility line. Such structures as in-ground swimming pools, fences, detached garages, tool sheds, and gazebos are included here. Structures used on a regular basis for business purposes are not covered by homeowners policies. A builder who stores lumber and tools in a barn behind his home should cover that barn on a commercial policy.

Personal property coverage insures personal property that the insured owns or uses anywhere in the world. Property that is borrowed and damaged by the insured is also covered. Most insurance companies automatically insure furniture and personal possessions at a limit equal to 50% of the amount for which the dwelling is insured, but this amount can be increased for an additional premium.

Personal property coverage is subject to certain exclusions that restrict the limits on certain kinds of property. There are several popular options that increase protection on items not normally covered or covered only up to certain limits. Again, such optional coverages are available for additional premiums.

Personal property replacement coverage extends protection to include the actual cost to repair or replace damaged property. Generally depreciation is taken into account when determining a claim payment. With this option in the policy there is no deduction for depreciation.

Extended theft coverage insures items or property left in unattended motor vehicles or trailers.

Jewelry and fur coverage increases the limit of liability for the loss of jewelry, watches, furs, precious and semiprecious stones.

Silverware coverage similarly increases the limits for the loss of silverware, silver-plated ware, goldware, gold-plated ware, and pewterware.

There are other options that can further customize the basic homeowners policy to protect the personal property your customer owns or uses.

Additional expenses coverage is intended to help compensate the insured for additional living expenses after a loss. This does not cover all living expenses—only those in excess of the ones the insured normally pays.

> *Suppose a family is forced to live in a motel and eat in restaurants for two weeks after their home is damaged in a fire. Their normal living expenses for that period would be $500, but they spend $1200. Additional expenses coverage would reimburse them for the extra $700 expense because of the damage to their home.*

Again, the purpose of this coverage is to return insureds to the financial condition they enjoyed before the loss.

Additional payments are also made for specified expenses or property losses the insured incurs. They provide reimbursement for such things as debris removal, removing property from endangered premises, fire department service charges, and glass breakage. Notice that such payments help to limit damage and the need for insurance company to pay higher claim payments.

Just going with the usual homeowners package may neglect important coverage that your customers need. If a family's silverware worth $3500 is stolen, they will be in for a rude awakening if they have only the standard $1000 coverage. By taking the time to thoroughly determine what property must be protected, you can avoid these unpleasant surprises. Having discovered all the needs of your customer, the coverage section on the declaration page in the beginning of this lesson may be expanded to look like this.

COVERAGES	LIMITS OF LIABILITY	PREMIUMS	
A-DWELLING	$120,000	$ 549	
B-OTHER STRUCTURES	$ 12,000	INCLD IN A	
C-PERSONAL PROPERTY	$ 60,000	INCLD IN A	
D-ADDITIONAL EXPENSE	$ 24,000	INCLD IN A	TOTAL POLICY PREMIUM
N-PERSONAL LIABILITY	$100,000	INCLD IN A	$ 564
O-MEDICAL PAYMENTS TO OTHERS	$ 1,000	INCLD IN A	
			NEW HOME CREDIT
V-SILVERWARE	$ 3,500	$ 15	DISCOUNT APPLIED

Settlement of Property Losses

The replacement cost is the actual cost of repairing or replacing the home at today's prices. For adequate protection, the amount of dwelling coverage should be based on that replacement cost. It is up to you to keep an eye on your customer's policy – especially when appreciation and improvements constantly push the replacement cost upward. You can obtain a reasonably good estimate of the replacement cost by using construction data from reputable appraisal companies.

Most insurance companies recommend full replacement coverage. This means insuring the dwelling for 100% of its replacement cost and updating that coverage as the replacement cost rises. The insurer will then pay whatever it costs to replace the damaged property or return it to its pre-loss condition – even if that cost exceeds the limit of liability.

Suppose our homeowner has kept up with the growing replacement cost of the home and has now upgraded the dwelling coverage from $120,000 to $180,000. The damage will cover any damage to the home in full – even if the house is destroyed and costs more than $180,000 to rebuild.

COVERAGES	LIMITS OF LIABILITY	PREMIUMS	
A-DWELLING	$180,000	$ 840	
B-OTHER STRUCTURES	$ 18,000	INCLD IN A	
C-PERSONAL PROPERTY	$126,000	INCLD IN A	
D-ADDITIONAL EXPENSE	$ 36,000	INCLD IN A	TOTAL POLICY PREMIUM
N-PERSONAL LIABILITY	$100,000	INCLD IN A	$ 935
O-MEDICAL PAYMENTS	$ 1,000	INCLD IN A	
TO OTHERS			NEW HOME CREDIT
V-SILVERWARE	$ 3,500	$ 12	DISCOUNT APPLIED
Y-PERSONAL PROPERTY REPLACEMENT	SEE POLICY	$ 83	

Your customer may be tempted to save money by underinsuring or buying only the minimum coverage that is required. You can provide value-added service by keeping the homeowner aware of rising replacement costs. When it is time to decide on the amount of property insurance to carry on the home, you should encourage the customer to honestly answer one question – Can I afford to replace my home and possessions at today's prices?

Liability Coverages in the Homeowners Policy

Where property coverage protects the insured's home and property, ***liability coverage*** provides protection when other persons claim the insured damaged ***their*** property or caused ***them*** bodily injury. The amount the insurance company will pay depends on the amount of coverage your customer selects. This amount is again shown under the Limit of Liability column on the declaration page.

Personal liability coverage applies when the insured is obligated by law to assume responsibility for an action that caused property damage or bodily injury to another party. Liability coverage does not cover damage to the insured's own property – only that of visitors, neighbors, or others in some way affected by the actions of the insured. Two examples will help illustrate personal liability coverage:

> *This coverage applies for the well-known confrontation between the family dog and the mail carrier. The claim will be paid if the dog bite occurs on the insured property or if the actual biting occurs after a chase down the street.*

> *The insured is burning leaves on his property when a gust of wind sends the fire out of control. His fence and the neighbor's tool shed are damaged in the fire. In this accident only the neighbor's shed is covered by the Personal Liability coverage. The fence will be covered by the Other Structures coverage of his policy under Property Coverages.*

Medical payments to others coverage pays for medical expenses of people other than the insured, when those expenses are due to an accident caused in some way by the insured. This coverage provides a way of maintaining neighborly relations without having to prove who is legally responsible for the accident. Medical payments coverage applies to accidents happening on the insured location or off that location if the accident is caused by the insured family and even the pet.

> *A neighbor's child breaks her arm when she falls from a sliding board in the insured's back yard. The medical expenses resulting from that accident will be covered, regardless of who was to blame for the accident.*

The insured's liability coverage is thus automatically extended to many locations beyond the insured premises.

As was true with property coverages, there are certain additional payments in the liability section of the homeowners policy. These payments are made over and above the limits shown on the declaration page.

To pay for minor damage to the property of others without regard for legal liability. For example, this provides payment for accidentally throwing an object through the neighbor's window.

To defend a claim or lawsuit against the insured but only as long as the limit of liability has not been used up in paying settlements or judgments.

To pay premiums on appeal bonds when a judgment has gone against the insured and the judgment is appealed. Also to pay premiums on attachment bonds which guarantees payment of the original judgment if the home or property is sold.

To reimburse the insured for wages or salary lost when attending hearings or trials at the insurer's request.

To reimburse the insured for providing first-aid expenses at the scene of the accident.

Customizing the Homeowners Policy

Determining your customers' insurance needs and "building" the proper homeowners policy is much like ordering from a menu. In a good restaurant the menu offers a range of courses – something for every taste. In the same way you can offer your customers a range of coverages – protection that meets their needs and circumstances.

Basic policies provide the ***specified perils*** coverage we discussed in Lesson 1. The house and possessions are covered for losses caused by those perils specifically listed in the policy. Perils not listed are not covered. Usually basic policies cover fire and lightning, windstorm and hail, explosion, riot and civil commotion, damage caused by vehicles or aircraft, smoke damage, vandalism, and theft.

Broader policies cover all losses to the house except those specifically excluded in the policy. All the perils in the basic policy are covered and others are added – rupture of steam or hot water systems, falling objects, weight of ice, snow, or sleet, electrical damage to appliances, water damage from plumbing or heating systems, collapse of buildings, and losses to property being conveyed because of collision or upset of the vehicle carrying that property. This coverage applies to the home or other buildings only. Possessions are still covered only for those perils specified in the policy.

The broadest policies cover damage to the house ***and*** possessions on an ***all risk*** basis—all perils are covered except those specifically excluded in the policy. These policies add such perils as the escape of oil from heaters or tanks, damage by certain wild animals, and the backup of water caused by the buildup of ice on roof surfaces.

Optional coverages extend protection even further. Earlier in this lesson we mentioned personal property replacement, extended theft, jewelry and fur and silverware coverage that provide extended personal property coverage. Earthquake coverage, flood coverage, and mortgage insurance (which pays the mortgage balance when the insured or spouse dies) are also examples of optional property coverages that protect the house. Optional liability coverage is available for watercraft and snowmobiles, certain business pursuits, personal injury, and the business use of the home. All of these optional coverages extend protection and are available for additional premiums.

COVERAGES	LIMITS OF LIABILITY	PREMIUMS	
A-DWELLING	$180,000	$ 840	
B-OTHER STRUCTURES	$ 18,000	INCLD IN A	
C-PERSONAL PROPERTY	$126,000	INCLD IN A	
D-ADDITIONAL EXPENSE	$ 36,000	INCLD IN A	TOTAL POLICY PREMIUM
N-PERSONAL LIABILITY	$100,000	INCLD IN A	$ 944
O-MEDICAL PAYMENTS TO OTHERS	$ 1,000	INCLD IN A	
			NEW HOME CREDIT
R-BUSINESS PURSUITS	SEE POLICY	$ 6	DISCOUNT APPLIED
V-SILVERWARE	$ 3,500	$ 15	
Y-PERSONAL PROPERTY REPLACEMENT	SEE POLICY	$ 83	

The point is this: You have many options to choose from in developing the right homeowners policy for your customer. The policy that is finally written is a contract between the insurance company and your customer. It is not like a meal which can be sent back because it is under- or overcooked. Your customers must understand what they are "ordering" when the policy is written. It's too late to customize the policy to their specific needs after a loss has occurred.

Where Do You Fit In?

We have mentioned several things you can do to protect your customers' interests and to keep them as customers. When new customers begin working with your agency, it is important to learn all you can about them. What are their insurance needs? What property do they own? What possessions might require extended protection? What risks do they face that might expose them to liability losses? You must answer all of these questions when developing a homeowners policy for your customer.

Once the policy is written, review it carefully so the customer understands what is and isn't covered. Make sure the customer understands his or her obligations in the event of a loss:

To notify you or the insurance company as soon as possible after a loss or an accident.

To make reasonable and necessary repairs or remove endangered property to prevent further damage.

To prepare a detailed inventory of damaged property and assist the insurer in investigating the claim. It is a good idea to keep a current list of personal possessions in a safe place outside the home. Prompt and accurate reporting of missing or damaged articles will speed claim settlements.

Continue to provide value-added service to your customers. Eliminate dangerous gaps in their coverage. Keep an eye on the replacement cost of the home. As inflation and home improvements push this cost up, encourage your customer to carry full replacement coverage. In the event of a total loss, homeowners insurance should provide for the rebuilding of the house exactly as it was before the loss. If the value of personal property exceeds the standard coverage, encourage your customer to purchase optional coverage to fully protect that property.

Eliminate expensive overlaps in premiums. While your customer should not eliminate essential coverages to save a few dollars, there are some safe ways to save money on premiums:

Suggest the use of deductibles. The deductible is the amount the insured agrees to pay if a loss occurs. Deductibles significantly reduce the premium but still protect against large losses.

Some insurance companies offer credits for modernizing older homes.

Encourage your customers to install burglar alarms, fire alarms, fire extinguishers, smoke detectors, and deadbolt locks. Homes with these protective devices may qualify for a premium reduction.

For customers owning more than one dwelling, encourage them to insure all with one company. This is more convenient and may save the customer money.

Stress the importance of timely premium payments. State laws require insurance companies to send formal notice of their intent to cancel policies for non-payment of premiums. If the amount of the premium makes payment of a lump sum difficult, discuss various installment plans or payment options to make the premium more manageable.

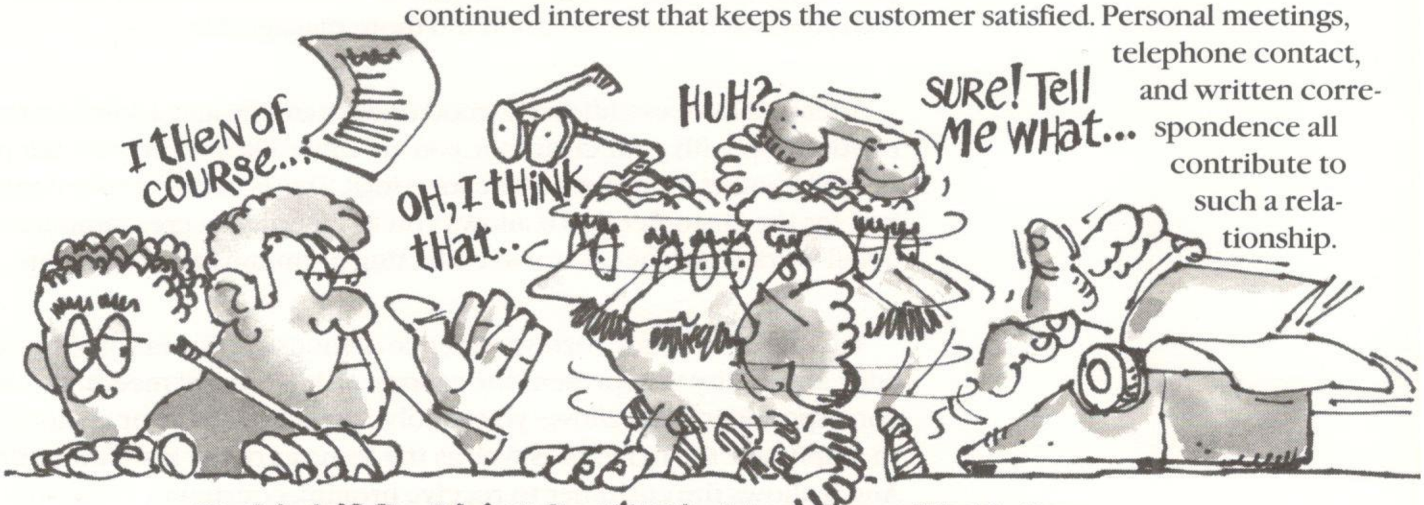
After you have established a good understanding and a solid working relationship with your customer, you are more likely to rely on telephone or mail contact than face-to-face meetings. This is usually more convenient for the customer, and it allows you to complete a great amount of the detail work that is necessary in collecting premiums and renewing policies.

Telephone or letter correspondence demonstrates your product knowledge and ability to represent the agency. As in personal meetings, such correspondence still allows you to solve problems for your customers and to emphasize the benefits as well as the features of the insurance policy. And it allows the customer to receive prompt, courteous, value-added service.

Certain common sense rules apply when working with your customers over the phone or through the mail. If you are not sure of something, get the answer and call the customer back. Accuracy is more important than speed. Your "telephone voice" should be friendly and positive. Timing is very important, because it indicates that you are listening and empathizing with the customer. Interrupting and trying to hurry the conversation along only shows that you don't care about the customer's specific needs or problems.

Most agencies have standard letters that are sent to customers. Through these letters you thank the customer for choosing your agency, explain enclosed policies, or ask for renewals. In fact letters are often required by law as written documentation of an oral request. Since customers often retain letters in their files, your written correspondence – perhaps more than your personal meetings or your phone conversations – reinforces the agency's and your own professionalism. Each contact should be carefully documented to protect the agency, to retain all the information you learn about the customer, and to make it easier to sell the account.

The basis of your agency's business – really of any business – is getting and keeping customers. It is important to look at each customer relationship not only in terms of the initial sale but also in terms of the service and continued interest that keeps the customer satisfied. Personal meetings, telephone contact, and written correspondence all contribute to such a relationship.



CUSTOMER SATISFACTION: COMMUNICATING AND SHOWING INTEREST IN YOUR CLIENT

Exercises

Complete the following questions to test your understanding of the homeowners insurance lesson.

True or False?

___ 1. One of your most important problem-solving functions in working with customers is selecting the proper coverages that protect them from the risks they face.

___ 2. The homeowners policy is a contract between the insured and the insurance company.

___ 3. Today's homeowners policies are actually packages of property and liability coverages that protect insureds from the many risks they face in owning a home.

___ 4. The premium for most property coverages is included in the basic premium for dwelling coverage.

___ 5. Some optional coverages for personal property are suggested because standard personal property coverage covers such items as jewelry or silverware only to certain limits.

___ 6. Additional expense coverage pays most or all of the expenses an insured faces after a loss.

___ 7. Additional payments count toward the limits of liability of property and liability coverages.

___ 8. The amount of loss payments an insurance company will pay depends on the limits of coverage your customer selects.

___ 9. Personal liability coverage applies only when the insured is found to be legally responsible for property damage or bodily injury to another party.

___ 10. Medical payments coverage applies only when the accident or loss occurs off the insured property.

___ 11. Some additional payments, which reimburse the insured for expenses or actions taken at the accident, are meant to encourage the insured to limit the amount of damage or injury.

___ 12. Coverages selected by the customer are listed on the declaration page.

Answer the following in your own words.

13. In the homeowners policy, what is the basic difference between what is covered by property coverages and what is covered by liability coverages?

14. List at least three factors considered when determining the premium for dwelling coverage.

    a)

    b)

    c)

    d)

    e)

15. What benefit does personal property replacement coverage offer to the insured that is not offered by the standard personal property coverage?

16. Define the ***replacement cost*** of a home.

17. Why should you recommend insuring a home at its full replacement cost?

18. What is the difference between the specified perils coverage offered in most basic homeowners policies and the all risk coverage in more comprehensive policies?

19. What is the optional coverage that pays the balance of the insured's mortgage if either the insured or spouse dies?

20. What advantages does telephone contact and mail correspondence offer to the customer and to you working in the agency?

From the following list identify which coverage would apply for each accident described below.

a) Dwelling coverage
b) Other Structures coverage
c) Personal Property coverage
d) Additional Expenses
e) Silverware coverage
f) Extended Theft coverage
g) Personal Property Replacement coverage
h) Guaranteed Replacement coverage
i) Mortgage Insurance
j) Personal Liability
k) Medical Payments to Others
l) Watercraft liability

___ 21. A pewter tea set worth $2700 is destroyed in a fire.

___ 22. The insured family is forced to stay in a motel while their home is rebuilt after the furnace explodes.

___ 23. During a very cold night, the pipes leading to the bathroom and kitchen freeze and then rupture.

___ 24. A visitor to the insured's home slips and falls on the icy steps leading to the front door.

___ 25. The house is burned to the ground. It is completely rebuilt for $90,000, even though it had only been insured for $83,000.

___ 26. A dead tree next to the house is struck by lightning. The surge in electricity burns out the circuits in a television set. A check for the amount to replace the set less depreciation is paid.

___ 27. The insured dies in an auto accident. The balance of the mortgage is paid to the bank.

___ 28. Someone breaks into and vandalizes the tool shed located in the back yard away from the house.

___ 29. As the insured mows the lawn, the mower throws a rock which shatters the back window of the neighbor's station wagon.

___ 30. The insured locks some packages in the car and continues to shop. A thief breaks into the car and steals the packages.

___ 31. A neighbor's child is injured while waterskiing from the insured's boat.

AUTOMOBILE INSURANCE LESSON

While the investment in the family car is small compared to an investment in the home, your customers face many more perils and hazards as soon as they back out of their driveways and get out onto the road. Owning and operating an automobile exposes them to potential liability and personal losses from bodily injury, property damage, medical expenses, even the relatively smaller expenses of finding substitute transportation until the car is repaired. To make matters more complicated, laws and requirements for auto insurance differ—sometimes greatly—from state to state.

Automobile policies—like homeowners policies—offer in a single package diverse coverages to meet the specific needs of your customers. Your challenge is to discover what those needs are and fit together a policy that will provide complete protection. You must consider costs and put insurance dollars into coverages that protect against the greatest losses. And you must explain the policy. Even though the auto policy is the most common of all insurance products, it is also probably the least understood. Consumers have some general misconceptions about what an auto policy covers and what they will receive after a partial or total loss.

In this lesson you will review the different coverages that are available in the automobile policy. You will again see the importance of working with your customers to explain their options in "building" the policy. Finally, there will be special emphasis on the customer service skill presented in the video for this lesson—working with the customer after an accident or loss to make a claim.

Liability Coverages in the Auto Policy

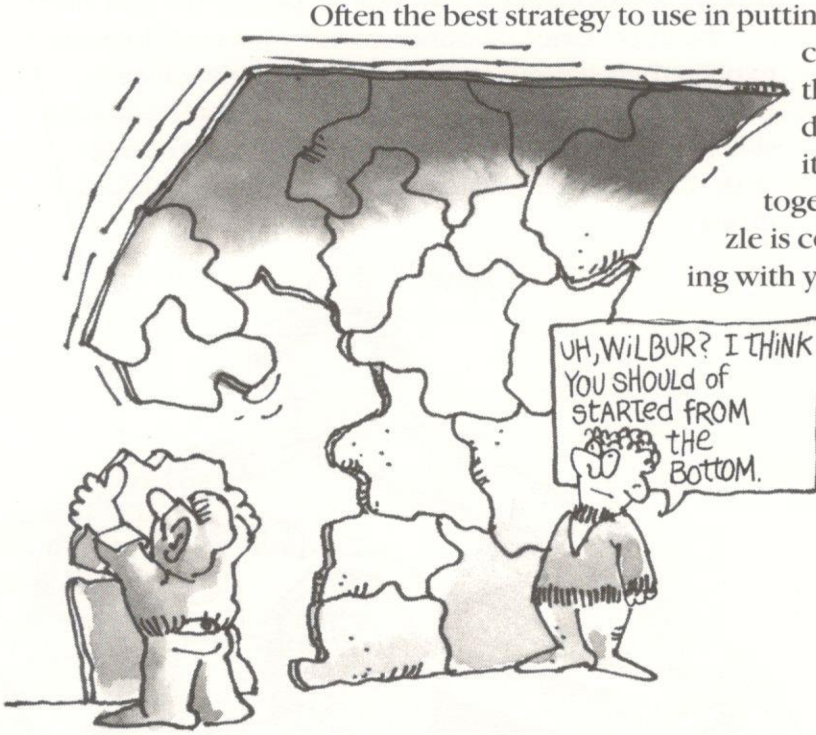
The ownership, maintenance, and use of an automobile creates the possibility of many liability exposures. Without automobile insurance few families can afford:

- damages that result from the death or injury of other persons.
- damage to the property of others.
- medical expenses sustained by persons involved in accidents.
- substitute transportation until the repair or replacement of covered vehicles is accomplished.

Liability for such damages or expenses may result because of carelessness, negligent operation of the vehicle, or any action that causes an accident.

There are several variables you must consider when working with customers to determine their need for liability coverage. ***State laws*** establish the minimum limits of liability insurance. ***Spiraling costs*** for medical care and lawsuit awards can mean that even those minimum limits are not adequate. More flexible provisions in policies, such as ***single limits*** of liability, provide for more complete coverage.

Often the best strategy to use in putting together a jigsaw puzzle is to concentrate on one section of the puzzle at a time. Once the different sections are complete, it becomes easier to fit those together until finally the whole puzzle is complete. This is much like working with your customer to fit together the different coverages into an automobile policy. The pieces (coverages) in the liability section of the policy must fit with each other and with the pieces in the first party and physical damage sections. Together these sections make up the whole policy.



Bodily injury liability coverage protects the insured against claims or lawsuits resulting from injuries to pedestrians, persons in another car, or persons in the insured's car. Those injuries must be caused by an auto accident in which the insured is considered legally responsible for the accident. Bodily injury coverage will pay losses for up to the policy limits.

Similarly, ***property damage liability*** covers damage to the property of others resulting from an auto accident where the insured is legally responsible. Property includes such things as another person's car, fences, mailboxes, lamp posts, trees, but not for losses to the insured car itself. Those damages are covered in the physical damages section which we will discuss later. Again, loss payments will not exceed policy limits.

Few policyholders take the time to read or understand the provisions in their policies about the settlement of losses—until an accident has occurred and it is too late to do anything about policy limits. Following are two ways to specify policy limits:

Separate limits: *$50/100/25*

Single limits: *$300,000*

Separate (or split) limits were once the rule. In the above example, bodily injury is covered up to $50,000 per person and $100,000 per accident, and property damage is covered up to $25,000.

The trend today is to single limits. While the single limit still sets a per accident maximum loss payment—in this case $300,000—it does so with a pool of dollars to pay bodily injury, property damage, or any combination of the two. Single limits are more flexible and provide more complete protection, and they are more easily understood by policyholders. Whichever type of limits are chosen, you must point out the importance of adequate protection when your customer makes a final decision about liability policy limits.

Also under liability coverage certain additional payments are made above and beyond the bodily injury and property damage limits shown on the declaration page. These payments do not reduce the available dollars for loss payments, and they will continue until loss payments reach the policy limits. Additional payments are made:

- to defend the insured from a claim or lawsuit, including the costs of investigation and preparing a defense, the defense lawyer's fee, court costs, and any interest accruing because of the delayed payment of a court judgment
- to reimburse the insured's expense of providing first aid at the scene of the accident
- to reimburse the insured for loss of income when attending hearings or trials at the insurer's request
- for bail bonds or appeal bonds to specified amounts that arise from traffic accidents or violations.

First Party Coverages in the Auto Policy

Unlike liability coverages, this section of the policy provides loss payments to the insured – the first party – and not others injured or affected by the insured's actions. First party coverages protect the insured family and persons driving or riding in the insured vehicle.

Medical payments coverage provides prompt reimbursement for certain auto-related medical expenses, regardless of who is responsible for an accident or loss. Medical, surgical, dental, hospital, or related expenses resulting when the insured family or guests are injured in the insured vehicle are covered. This coverage also provides protection when members of the insured family are injured as pedestrians. The policy limit is the maximum amount the insurance company will pay for each person injured in the accident.

Medical payments coverage pays only for treatment, medical services, and specific accident-related bodily injury expenses. It does not reimburse the insured for lost wages, pain or suffering, aggravation, or even the cost of getting to and from the doctor's office or hospital. These expenses or losses could be recovered from the liability coverage of the person who is legally responsible for the accident.

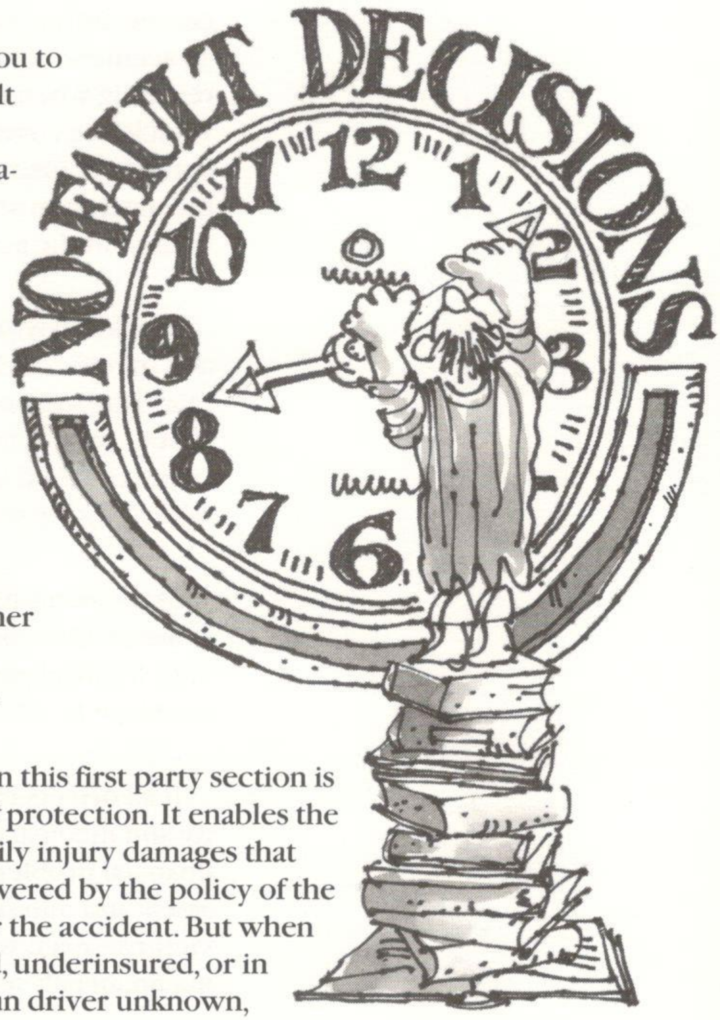
Many states have now established no-fault requirements which replace some or all of the protection that medical payments was designed to provide. Medical payments coverage is available in many states as optional coverage to offer extra protection over the mandatory no-fault coverage.

If all drivers carried sufficient bodily injury and property damage liability and medical payment coverage, the accident victim would have few financial problems. In the real world, however, there are drivers with few assets and minimal or no liability insurance. The end result is that accident victims – even when not responsible for the accident – can end up suffering financially as well as medically.

State governments have approached this problem in many different ways. Some have financial responsibility laws which require drivers to prove they have the financial resources, such as an auto policy, after an accident has occurred. In most states, drivers must prove they have liability insurance before registering their cars. Some states have funds to help accident victims when no other source of insurance is available. Many states have passed no-fault legislation. The point is this: States have attempted to solve the auto liability problem in many different ways. You must be able to advise your customers and provide insurance that meets their own needs and the requirements of your state.

Although ***no-fault*** plans differ from state to state, their general purpose is the same – to speed up the process in which injured parties can collect for certain types of losses. These plans limit situations where the responsible driver can be sued, thus minimizing liability payments and court proceedings. In all the no-fault plans the insurance company pays the loss that its insured suffers, regardless of who was at fault in the accident.

It is important for you to understand the no-fault requirements in your state. No-fault is mandatory in some states, optional in others. Most plans provide benefits for medical expenses, but some go beyond that to include other accident-related expenses and even lost wages. You must be able to advise your customer about whether no-fault coverage is required in your state.



The final coverage in this first party section is ***uninsured motorist*** protection. It enables the insured to collect bodily injury damages that would normally be covered by the policy of the person responsible for the accident. But when that party is uninsured, underinsured, or in the case of a hit-and-run driver unknown, uninsured motorist coverage provides loss payments up to the policy limits that could be recovered in a lawsuit against the driver or owner of the uninsured vehicle. Payment is made by the insured's own insurance company for injury to the insured family or guests riding in the insured car.

Like the other coverages in this section, uninsured motorist coverage differs from state to state. It is mandatory in some and optional in others. Again, it is important to know the requirements in your state and how each coverage can affect other coverages. Many of your customers may have heard of no-fault coverage and you should be able to give them a clear explanation of how it provides protection in their policy.

Physical Damage Coverages in the Auto Policy

The third section of coverages provides protection for physical damage to the insured vehicle itself. These coverages include collision, comprehensive, and rental reimbursement and pay for damage to the vehicle regardless of who was at fault in the accident.

Collision coverage provides payment for damage resulting from only three perils – colliding with another car, colliding with another object, and overturning. Collision coverage is usually available only with a deductible – the larger the deductible, the smaller the premium. It is a good idea to carry collision coverage on cars with reasonable value. Most financial institutions and banks that finance cars will require the borrower to carry collision to protect their investment.

Replacement collision is an optional coverage available for newer cars. It pays the full repair cost of the damaged car without deducting for depreciation or the cost of a new car in the event of a serious collision. This coverage is available for a small additional premium.

Comprehensive coverage provides loss payments for damage to the insured vehicle caused by some peril or hazard other than collision. Glass breakage, theft, fire, explosion, impact with birds or animals, vandalism, flood, and earthquake are some of the perils included in this all-risk coverage. Comprehensive coverage is optional and may be purchased with or without a deductible.

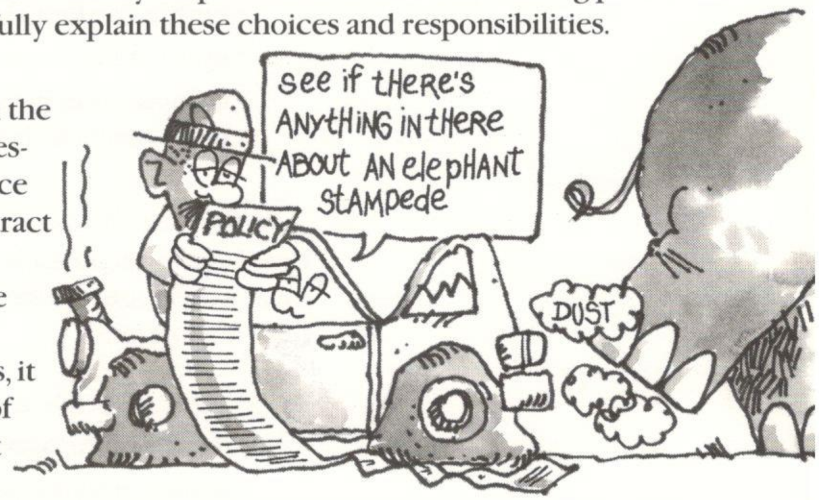
The final coverage under the physical damage section is ***rental reimbursement.*** This pays for a rental car when the insured car has been disabled by a collision or comprehensive loss for more than 24 hours. Payment is based on a maximum amount per day and a total specified amount.

The limits of liability for physical damage coverages are often misunderstood. Most insureds assume they will receive equivalent transportation if their car is damaged or totaled. Unless replacement collision coverage is purchased, the vehicle and parts are covered for their ***actual cash value*** at the time of the loss.

A basic insurance principle is that insureds should never profit from a loss, only that they will be returned to a similar financial condition as existed before the loss. Settling on an actual cash value basis conforms with this principle. If the car is totaled, the insured will receive a car of like age and condition as before the loss. If the damage can be repaired, the settlement will be for the replacement cost less depreciation. Insureds who fail to understand this are shocked when they see how much and how quickly their cars have depreciated. Be sure to explain the term ***actual cash value*** when you are writing the policy.

Advising Your Customers

Selecting proper coverages is only part of the job in putting together an automobile policy for your customers. Coverages are affected by conditions listed in the policy that spell out the responsibilities of the insured and the insurance company. There are choices your customers can make that will save them money on premiums without sacrificing protection. You must carefully explain these choices and responsibilities.



As we saw in the homeowners lesson, an insurance policy is a contract between the insured and the insurer. Like other contracts, it has a number of conditions that carefully specify when coverage applies and when it does not. Let's briefly discuss a few of those conditions that most often come into play.

We said that personal property coverage in the homeowners policy insures personal property owned or used by the insured anywhere in the world. The auto policy is ***not*** a worldwide policy. If your customers travel outside the U.S. or Canada, advise them that they may not be covered when driving in a foreign country. They may need insurance from a local insurer in that country or some special handling by the insurance company. Within the United States and Canada, the auto policy ***does*** conform with the laws and insurance requirements. Although different states have different no-fault plans and compulsory insurance requirements, the policy automatically complies with the regulations of any state or province the vehicle is driven in.

Conditions listed in the policy explain cancellation of the policy. The insured can cancel at any time by sending written notification and stating the date the cancellation is to become effective. On the other hand, the insurance company can cancel only under the following circumstances:

- within the first sixty days of the policy period
- upon failure to pay the premium
- if the driving license of the named insured or another member of the household is suspended or revoked.

In the case of an accident or loss, the insured has certain responsibilities. As soon as possible, the insured or someone on behalf of the insured must notify your agency or the insurance company and supply the following information:

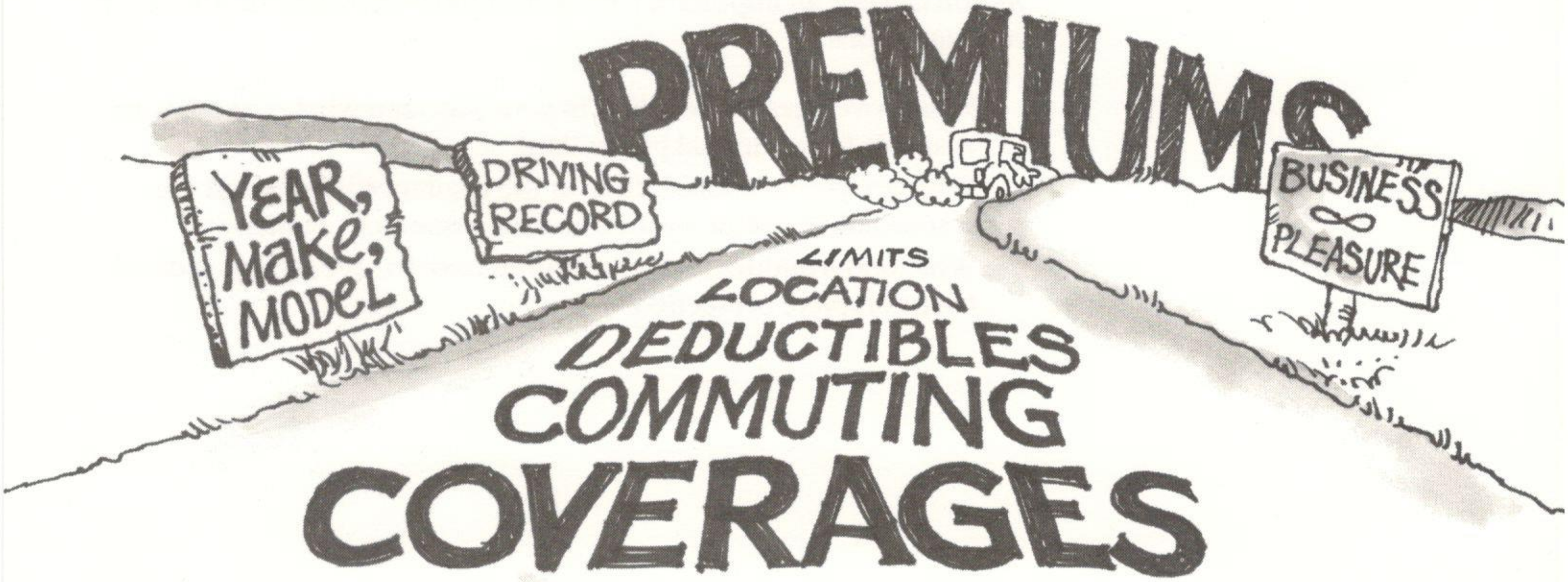
- name, address, and policy number of the insured
- details of the accident or loss
- names of witnesses or persons involved or injured in the accident.

If a claim or lawsuit results, the insured must attend hearings or trials when requested, secure and give evidence, permit medical examination by doctors the insurance company specifies, and authorize the insurer to obtain medical reports or records.

Conditions establish the circumstances that must be met by the insured and the insurance company for coverage to apply. Your customers must be familiar with their responsibilities. Both you and the insured are at a disadvantage if a loss occurs and there is no coverage because the conditions were misunderstood.

Although not specifically listed in most policies, insureds are required to notify the agent of any change of address or change in the drivers covered by the policy. They must notify you of any new cars within thirty days after purchase, or the new car will not be covered. They must pay their premiums promptly so coverage will not lapse.

Premiums are determined by a number of different factors—where the insured lives; the year, make, and model of the car; how the car is used (for business, pleasure, or commuting to work); the driving records of those driving the car; the coverages, limits, and deductibles selected by the insured. Obviously you have an important role in establishing protection for a premium your customer can afford.



Different insurance companies offer different discounts and opportunities for saving money. By purchasing deductibles on collision and comprehensive coverages, the premium is reduced while protecting against big repair bills. High repair costs and susceptibility to theft result in higher insurance rates for sports cars. Moderately-priced cars and cars with lower damageability characteristics generally cost less to insure. Collision coverage on older cars may cost more than what that car is worth. Encourage your customer not to buy unnecessary insurance. Put insurance dollars into coverages that will protect against the greatest losses.

While new cars must be reported promptly to the agency, this will not automatically double the insurance premium. Most companies offer multi-car discounts. In the opposite case—when a car is sold or when a driver leaves the household—the premium will usually go down.

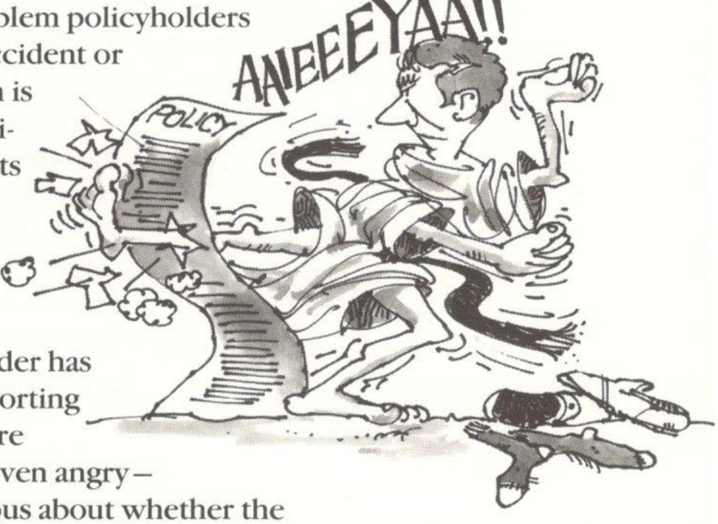
Other discounts may also be available—for students maintaining certain grade point averages, for taking driver education courses, for cars used in carpools or cars driven less than three times a week, for cars equipped with anti-theft or passive restraint, for compact cars, and so forth. The availability of discounts varies from company to company and from state to state.

As you can see, an important part of your job is knowing the answers to several questions:

- What coverages are required in your state and what coverages are available for additional protection?
- What are your responsibilities at the insurance agency and the responsiblities of the insured and the insurance company?
- What opportunities does the insured have to save money and still have complete protection?

Customer Service in Claim Situations

A theme in this training package is that you are the primary person who solves insureds' problems. Perhaps the biggest and most stressful problem policyholders can have is when an accident or loss occurs and a claim is made. You are the facilitator between claimants on the one hand and the claim department on the other.



When the policyholder has an accident, your supporting skills are crucial. You are faced with an upset—even angry—person who is suspicious about whether the loss will be covered. It is sometimes difficult to remain calm yourself, but it is the most important thing you can do.

There are four steps you should follow in a claim situation:

1) Listen to the person's feelings. Ask questions that will draw all of those feelings out. Get the problem "on the table."
2) Express understanding and acceptance of what the person is saying. Empathize.
3) Through questioning, listening, and expressing your understanding, identify the problem. State the problem and get agreement.
4) Suggest the best solution to that problem. Explain that certain steps must be followed in settling a claim and tell the person what those steps are.

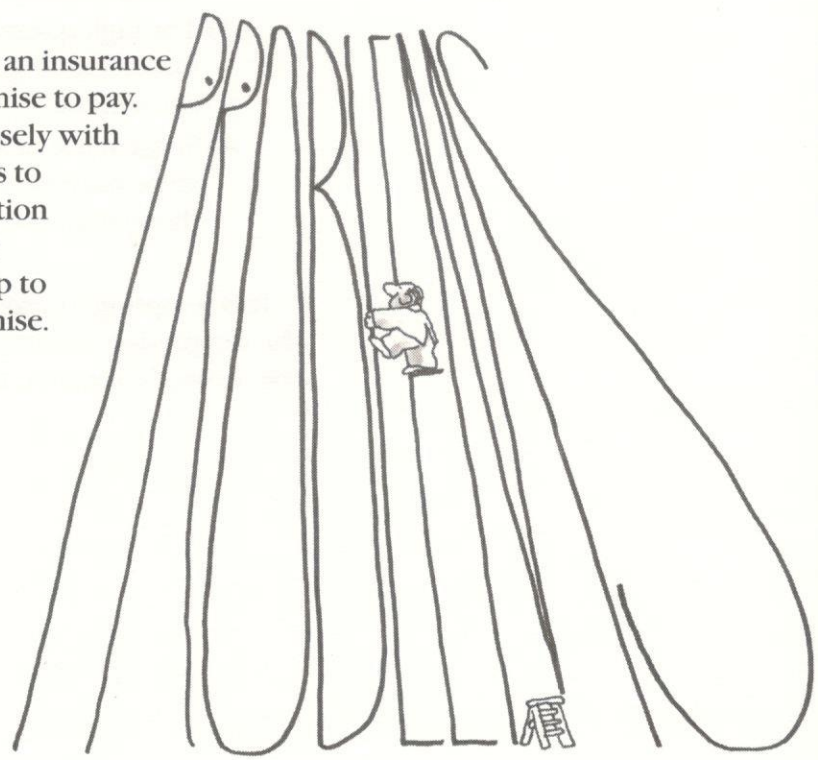
It is tempting to take a shortcut and jump right to the solution. Resist the temptation. Solutions are often straightforward, but this process allows the insured to release his or her anger and frustrations.

Claim procedures enable you to get the facts of the accident and to analyze the situation. A loss will fall into one of three categories:

- ***The loss is clearly not covered.*** The policyholder has collided with a stone wall but does not carry collision coverage. If there is any uncertainty about the claim, report it to the insurer.
- ***The amount of damage is within the deductible and will not require a loss payment from the insurer.*** An accident results in $175 of damage, but the collision deductible is $250. In this case the insurer has no obligation until the loss exceeds the deductible amount that the insured had agreed to.
- ***The loss is or may be covered.*** A claim file should be set up and the claim department notified.

A claim file contains pieces of information about the claim, such as claim forms, estimates, and bills showing repair costs. The agency usually maintains such a file even if they do not adjust the claim. By noting the claim you are recording the fact that notification – one of the policyholder's responsibilities – has occurred. Making notes allows you to stay in touch with any investigation and to keep the insured informed of the progress of the claim. Even in cases where it seems the deductible will not be reached, additional repair costs may exceed that amount and result in a claim payment. In maintaining the file and filling out forms, accuracy is important. Improperly written forms can result in claims that are improperly and unfairly settled.

It is said that an insurance policy is a promise to pay. By working closely with your customers to gather information and settle their claims, you help to fulfill that promise.



Exercises

Complete the following questions to test your understanding of the automobile insurance lesson.

True or False?

___ 1. Laws and requirements for auto insurance differ from state to state.

___ 2. The insurance company of the person who is legally responsible for the accident makes the loss payment for bodily injury and property damage liability.

___ 3. State laws establish the maximum limits of liability coverage.

___ 4. Liability coverage for both bodily injury and property damage will pay for losses up to the policy limits.

___ 5. First-party coverages provide loss payments to the insured – not to other parties injured in an accident involving the insured.

___ 6. As the name implies, medical payments coverage pays only for medical treatment and services and for specific accident-related bodily injury expenses.

___ 7. The states have established uniform laws and requirements to protect accident victims from uninsured or underinsured drivers.

___ 8. No-fault plans in many states have now replaced much of the protection that medical payments coverage was designed to provide.

___ 9. No-fault plans make it easier for the accident victim to sue the responsible driver and to receive adequate compensation through court judgments.

___ 10. No-fault coverage is mandatory in all states.

___ 11. Uninsured motorist coverage provides protection if the insured is injured in an accident by a hit-and-run driver.

___ 12. Since the states have different plans and requirements, the amounts of medical payments, no-fault, and uninsured motorist coverage your insured will need will differ from state to state.

___ 13. A good way to save money on the premium of the auto policy is to include a deductible for collision and comprehensive damages.

___ 14. It is illegal to drive a car without collision coverage.

___ 15. Comprehensive coverage is all-risk, meaning that all perils are covered unless specifically excluded in the policy.

___ 16. Loss payments for rental reimbursement will be made regardless of how long it takes to repair the damaged vehicle.

___ 17. Actual cash value means replacement cost less depreciation.

___ 18. The insured can drive in any state without worrying about whether the insurance policy will provide adequate protection in that state.

___ 19. The insurance company can cancel an auto policy at any time by sending written notification to the policyholder and stating the date cancellation is to become effective.

___ 20. Unless the insured informs you or the insurance company about a new car within thirty days of its purchase, that car may not be covered on the insured's existing auto policy.

Write the letter of the term at right next to its definition in the left column.

___ 21. A common cause of liability for an accident.

___ 22. Provides a pool of dollars to pay for bodily injury, property damage, or any combination of the two.

___ 23. Provides payment for glass breakage, theft, and many other perils.

___ 24. A responsibility of the insured after an accident.

___ 25. Protection against claims resulting from injuries to pedestrians, persons in another car, and persons in the insured's car.

___ 26. Reduced premium for insuring more than one vehicle with the same insurer.

___ 27. Protection from uninsured, underinsured, and unknown drivers.

___ 28. An agreement to pay a certain amount of each loss in return for a reduced premium.

___ 29. Payment of full repair costs without a deduction for depreciation.

___ 30. Programs established by the states to speed up the process in which injured parties can collect for certain types of losses.

a) notification

b) no-fault plans

c) negligent vehicle operation

d) deductible

e) replacement collision coverage

f) comprehensive coverage

g) single limits

h) bodily injury liability coverage

i) multi-car discount

j) uninsured motorist coverage

Answer the following in your own words.

31. State laws require only certain minimum limits of liability coverage. Why might your insureds need higher limits?

32. What is the difference between separate limits and single limits of liability coverage? Which is more advantageous to your customer and why?

33. When does the insurer stop making additional payments under liability coverage (such as defense costs when the insured is sued)?

34. Why is no-fault and other first-party coverage needed when every driver is supposed to carry certain amounts of liability insurance?

35. Most insureds assume they will receive equivalent transportation and even a new car when their car is damaged or totaled. Write a paragraph to explain to a customer why this is not true.

36. What is the purpose of conditions in any insurance contract? Why should the insured understand any conditions when the policy first goes into effect?

37. List factors considered in determining an automobile policy premium.

38. List at least five ways your customer can reduce that premium.

39. What are the three categories a claim can fall into as you analyze the circumstances of the accident or loss that brought that claim?

40. Why is it a good idea to set up a claim file, even when it appears the claim will not exceed the deductible?

OTHER PERSONAL LINES PRODUCTS

In the area of financial services, consumers are becoming more sophisticated about price and value, more demanding for service and convenience, and less loyal to brand names and traditional products. They can choose from many options – checking and savings accounts, money markets, IRA's, stocks and bonds, mutual funds, annuities, asset management accounts, CD's, real estate, whole life, term, universal life, variable life, homeowners and auto insurance, personal and commercial policies and more new products all the time. Your customers increasingly have greater knowledge of financial alternatives, greater willingness to take risks to get higher returns, and greater expectations from those they look to for advice.

Several demographic trends have affected the independent agents' business:

- the rising number of affluent households as women go to work and baby boomers come of age
- the increasing prosperity of people over fifty with pensions, maturing investments, and expensive homes to sell
- the rapid changes in technology that affect how banks, brokerage houses, insurance agencies, and other financial service distributors reach their customers
- the deregulation of the financial services industry and new sources of competition.

Consumers with more money and less time to spend are seeking out counselors who can offer skilled advice, customized products, service and convenience. Many are still willing to pay a price for the extra service that an agent offers. That attitude may disappear as more opportunities arise to purchase financial products from banks, stockbrokers, realtors, financial planners, and retailers.

How can we be successful in this more competitive environment? By adding value to insurance and financial service transactions– not just by selling policies–but by solving whole problems for our customers. By identifying the kinds of customers we serve best and developing the strengths needed to serve them.

Guarding customer relationships through problem-solving is much more effective than selling single policies and guarding expiration dates. Statistics show that a customer having two policies with an agency is six times more likely to stay with that agency than a customer with just one policy–three policies, nine times more likely. By taking the initiative to provide for a customer's complete insurance needs, you are essentially preventing exposures to other agencies and competitors.

Computers can also help the agency in the marketing area. You can profile customer files, sort information, and identify customers for cross-selling. By analyzing auto policyholders, the computer can identify those that are homeowners who in turn might have a need for homeowners, personal articles, and personal liability coverage. It is easier and less costly to expand business with existing clients than to generate business with new prospects.

Successful agencies are communicating with customers in newsletters and direct mail and asking for feedback. What better way to learn about your customers' needs than to ask! Surveys have shown that customers want more information about financial service products and more contact with the agency. Over 70% of those responding to one recent survey believed the agencies recommend the best insurance program for their needs. Agencies are using this feedback to identify their strengths and weaknesses, to fine tune their product offerings and service to the customer.

Some may see the increasing sophistication of the consumer as threatening. Successful agencies see it as a challenge. Agencies that grow in such an environment use new methods to keep their customers "at home." The value-added service that independent agencies have always been known for will be the focal point of the "high-tech, high-touch" world we live in.

Personal Articles Insurance

Your customers may feel that they are adequately protected by their homeowners and auto policies and not realize that they have potentially serious gaps in their coverage. Personal articles, personal liability, and personal boat insurance offer coverage that can fill those gaps and enable you to develop a more complete relationship. By going beyond the necessary coverages and finding out more about your customers' needs, you demonstrate your interest in solving problems – not just selling policies.

As we saw in the homeowners policy, there are coverage limitations for certain items of personal property. Personal articles coverage provides the protection that is missing or limited on some of your insured's most valuable possessions. The following classes of property can be insured under a personal articles policy:

- jewelry and furs
- fine arts
- cameras
- golfing and sports equipment
- musical instruments
- silverware
- stamp and coin collections
- wedding presents
- bicycles
- personal effects
- contact lenses
- political campaign collections
- pedigreed dogs

There are different requirements for different classes of property. In some cases items must be individually listed (or scheduled) on the application. Scheduling requires that each item be described according to:

- present or appraised value
- physical description (including such things as measurements, color, model, etc.)
- date, place, and amount of purchase

Scheduling is required on jewelry, furs, fine arts, cameras, musical instruments, bicycles, contact lenses, political campaign collections, and pedigreed dogs. For furs, which can depreciate rapidly depending upon their condition, an appraisal is needed to determine value.

Some classes of property may be listed but not detailed. Golf equipment and certain personal effects often exist as sets and thus do not require scheduling item-by-item. Sports equipment, silverware, stamp and coin collections, and wedding presents may be listed on a scheduled or unscheduled basis, depending on the value of the individual pieces.

Personal articles insurance provides automatic coverage for additional or newly-acquired items for a 30-day period if those items are covered by categories already listed on the declaration page. If a new class of property is purchased for which there is no existing coverage, that property class must be added to the policy immediately for coverage to take effect. When the new acquisitions are added to the policy, the premium will be adjusted accordingly.

As we have repeated at various times throughout this training package, the purpose of insurance is to restore insureds to the financial condition that existed before the loss. In following this principle, there are four different ways to settle a loss depending upon how the property is valued:

Replacement Cost The insurer agrees to replace the property—old for new—at the time of loss for up to the limit of liability. The property is replaced at current material and labor costs with no deduction for depreciation. Contact lenses are replaced in this way.

Actual Cash Value This is the most common type of valuation. The item is replaced at current costs but with a deduction for depreciation. Jewelry, furs, golf and sports equipment, musical instruments, wedding presents, bicycles, personal effects, political campaign collections, pedigreed dogs, and, in some cases, cameras and silverware are all settled on an ACV basis.

Agreed Amount The value of the property is agreed upon at the time the policy is issued. Then, at the time of loss, the insured receives that amount regardless of appreciation or depreciation. If there is only a partial loss, the loss payment will cover necessary repairs or restoration up to the limit of liability. Fine arts are usually insured on an agreed amount basis to provide for prompt and equitable settlements at the time of loss.

Cash Market Value This refers to what the property is worth in the open market at the time of loss. Stamp and coin collections are insured on this basis and settlements are made according to values published in the collectors' market.

The only way that property insurance can provide adequate coverage is to insure property for its full value. Underinsuring forces the customer to absorb a portion of the loss. Consider the following example:

> *A painting is insured for $2000. After a few years the value of that painting has increased to $4500, but with each policy renewal the agreed amount has never been adjusted upward. If the painting is destroyed, the insured will be reimbursed only for the $2000, thus absorbing a $2500 loss.*

In order for insurance to continue benefitting the insured, policy limits must be reviewed and updated when necessary at each renewal.

Unless otherwise stated, the personal articles policy insures property on an all-risk basis anywhere in the world. There are certain conditions that explain the responsibilities of the insured and the insurer. These explain such things as loss reporting procedures and provisions for investigating and settling claims, and taking property for salvage. As was true with other policies, it is important that your insured understand these conditions when the policy goes into effect—not when a loss has occurred.

Personal Liability Insurance

Occasionally we hear about lawsuits where companies, organizations, or individuals are sued for dangerous products they sold. Those cases that make the news often award damages in the hundreds of thousands, even millions of dollars. It is natural to assume from such cases that only wealthy persons can be sued. In fact, anyone – regardless of income – can be taken to court for just about any reason. And court settlements of six or seven figures will be drawn from whatever resources the "guilty party" has – a home, any personal assets or possessions, even future income.

Typical automobile and homeowners liability limits are not adequate to cover such judgments. Some losses are excluded and not intended for coverage under auto and homeowners policies.

Defense costs are covered by additional payments in those policies but only until the policy limits have been reached. With such limitations, your client may have inadequate protection to pay the entire judgment and the cost of defense.

The personal liability policy provides an "umbrella" of protection to fill the gaps left by other policies. Personal liability insurance is not meant to provide basic coverage but is considered excess coverage once the minimum retained limit of insurance has been reached under the primary insurance policy. At that time it responds with loss payments and defense costs when losses exceed the limits of primary coverage. It "drops down" and operates like primary insurance, as long as that specific loss is not excluded in the policy.

Personal liability insurance covers personal injury resulting from the following offenses:

- False arrest, detention, or imprisonment
- Malicious prosecution
- Defamation, libel, or slander
- Violation of the right of privacy
- Wrongful entry
- Wrongful eviction

While there is usually no bodily injury or property damage involved in these offenses, damage can be done to a person's career or reputation in the community. If your insured is found guilty of any of these offenses, the resulting personal injury will be covered by the personal liability policy.

Unlike some other policies, personal liability provides worldwide coverage. If the insured has an auto accident in a foreign country, his or her auto policy may not pay the loss. The personal liability policy will drop down and cover the liability portion of the damages.

Personal liability insurance—it's an excellent product for your customers to consider in the lawsuit-conscious world we live in.

Personal Boat Insurance

Owning and operating a boat creates exposures similar to those faced by the owner or operator of a motor vehicle. Losses can result from damage to the boat itself or from liability for bodily injury or property damage arising out of ownership, maintenance, or use of the boat. By advising your boat-owning customers of the broad range of protection under the personal boat policy, you can close potentially serious gaps in their coverage.

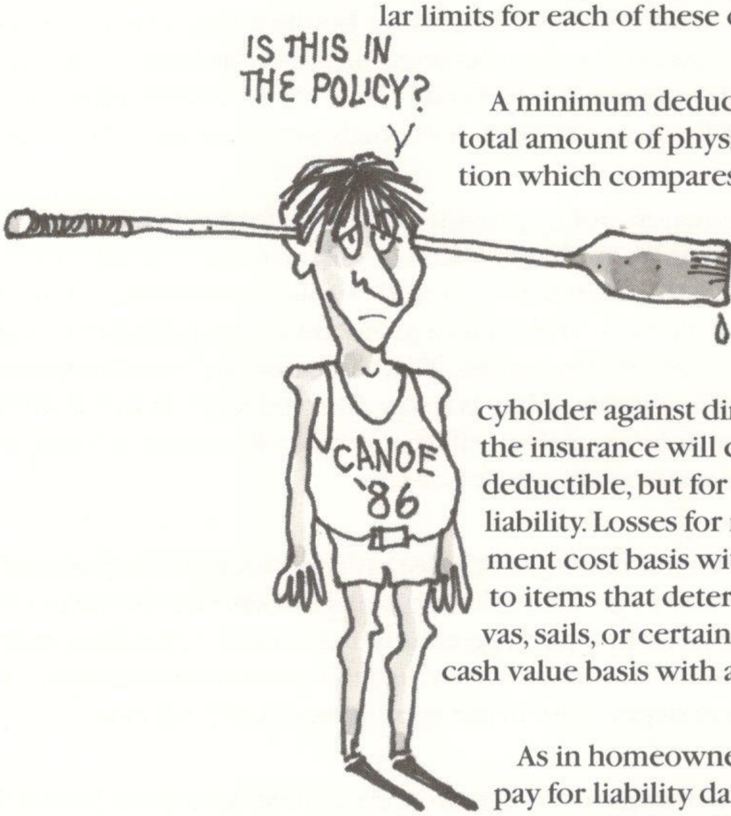
The homeowners policy provides coverage for boats but only to a very limited extent as far as physical damage is concerned. Liability for damages, for which the the insured is legally liable, is also limited depending on the size of the boat. This limited protection is then subject to various other restrictions and exclusions. That's because the coverage provided under the homeowners policy is really directed more at the small rowboat, sailboat, or inexpensive craft that is typically stored at home and towed to the water each time it is used.

If your customer needs more substantial protection, the personal boat policy is the way to go. Like other personal lines products, the personal boat policy is actually a package combining several coverages under one contract. You can customize the package to provide the necessary limits and protection depending on the specific needs of your customer.

Physical damage coverage protects against damage or loss to the boat itself and related equipment. The property insured falls into four categories with separate limits that must be itemized and described on the declaration page:

- the craft itself, which includes attached equipment, inboard engines, spars, and sails
- outboard engines
- trailer used to transport the boat
- portable boating equipment, which includes anchors, boat covers, life preservers, oars, tools, and waterskiing equipment

As we have stressed throughout these lessons, establishing adequate limits of liability is very important. Loss payments will not exceed the dollar limits for each of these categories listed on the declaration page.



A minimum deductible is mandatory and is determined by the total amount of physical damage coverage or by the speed classification which compares the horsepower with the length of the boat. Several deductible amounts are available. By selecting a deductible higher than the minimum, the premium is reduced.

Physical damage coverage protects the policyholder against direct accidental loss. When such a loss occurs, the insurance will cover the amount of the loss that exceeds the deductible, but for no more than the amount shown as the limit of liability. Losses for most types of property are settled on a replacement cost basis with no deduction for depreciation. Losses to items that deteriorate over time, such as batteries, trailers, canvas, sails, or certain types of machinery, are settled on an actual cash value basis with a deduction for depreciation.

As in homeowner and automobile policies, the insurer agrees to pay for liability damages resulting from bodily injury or damage to the property of others. The insured may be legally responsible for those damages because of an accident involving the boat or even because he or she is the owner of the boat. Liability coverage is optional, but it is coverage the prudent owner or operator would not be without.

Liability coverage protects the insured, resident spouse or relatives, anyone using the boat with the insured's permission, and other persons or organizations who may be held responsible for something the insured did. The cause of the bodily injury or property damage must be accidental and arise out of ownership, maintenance, or use of the insured craft or a non-owned craft the insured or spouse is using with the owner's permission. As in other liability coverages, the insurer will pay to defend, investigate, or settle any claim or lawsuit against the insured until the limit has been exhausted in loss payments.

The personal boat policy is meant to cover personal use of the boat. It will not cover its operation in a boat-related business. Consider the following situation:

> *A marina employee is moving the insured boat into a slip in the marina. He is not paying attention and collides with another boat, causing extensive damage. The insured's policy will cover any liability that the insured has from this accident. It will not cover the liability of the marina or the employee who caused the accident.*

While the employee had permission to move the boat, he was doing so on marina business, which is not covered by the policy. This is a good example of a condition affecting coverage that your client should be aware of before a loss occurs.

For liability coverage, the limit of liability is the most the insurer will pay for any one accident, regardless of the number of insureds, claims, or persons injured. Limits can vary and often depend on where the boat will be used and the number of people who intend to use it. This is another area where you can be very helpful in recommending coverage and limits that will provide adequate protection.

Recreational boating continues to be a very popular activity, especially with those affluent families that make excellent insurance customers. There are literally millions of boat owners, with more registering boats all the time. As your own clients become interested in boating or upgrade to higher-priced pleasure craft, you will have an excellent opportunity to expand your business with them.

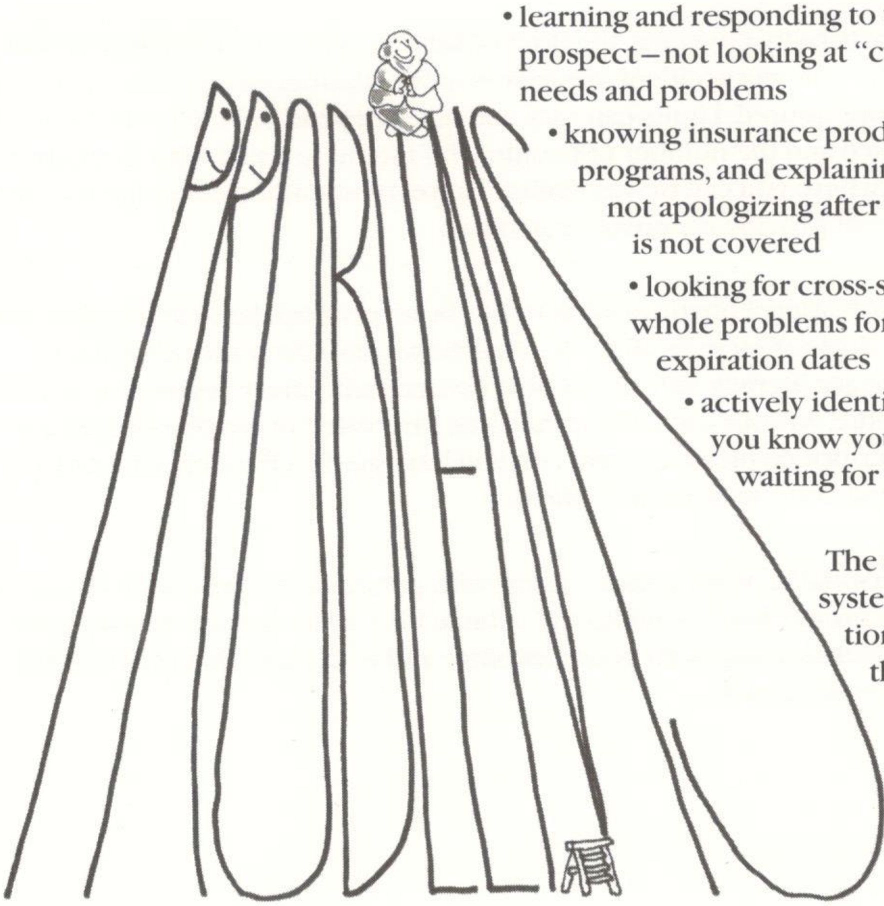
Personal boat insurance—along with personal articles and personal liability protection—provides the vehicle for you to develop a more complete relationship with your customer and to cement that relationship with your agency.

The Customer Is the Business

As we noted in the beginning of this lesson, consumers are becoming more affluent, technology more sophisticated, and competition more intense. What do these trends tell us about our customers? That their needs are more complex. That they have more money to invest and more possessions to protect. That they have less time to spend. That they need counselors to offer skilled advice and customized products.

New opportunities in the marketplace are not the result of advances in technology or things the competition does. They happen because our customers are drastically changing their ideas about how and where they get the best service. They go where they get fair treatment, quality products, convenience, reasonable prices, and good value. In this training package we have focused on some ways you can offer such service to your customers:

- learning and responding to the unique needs of each customer or prospect – not looking at "customers" as a group with all the same needs and problems
- knowing insurance products, designing complete insurance programs, and explaining policies and conditions up-front – not apologizing after a loss has occurred for damage that is not covered
- looking for cross-selling opportunities to solve whole problems for the customer – not guarding expiration dates
- actively identifying and approaching customers you know your agency can serve well – not waiting for prospects to walk in the door.



The strength of the independent agency system has always been personal attention and value-added service – the fact that people like dealing with people. We must realize that our business is not selling insurance policies – it is creating and satisfying customers. The customer is the business.

Exercises

Complete the following questions to test your understanding of other personal lines products.

Answer the following in your own words.

1. What is the reason for scheduling certain classes of property on the Personal Articles policy?

2. Your customer has a Personal Articles policy that covers a silverware set, two racing bicycles, and a coin collection. He purchases a painting at an auction. Is that painting covered on your customer's Personal Articles policy? Why or why not?

3. There are four methods of valuing property when settling losses under the Personal Articles policy. List the four methods and explain how each helps to restore the insured to the financial condition that existed before the loss.

4. What actions can you take to make sure property is insured to its full value under the Personal Articles policy?

5. Explain how the Personal Liability policy is like an umbrella of protection that "drops down" to provide protection with primary policies.

6. What is personal injury and how does it differ from losses suffered in bodily injury or property damage?

7. If boats are covered on the homeowners policy, why bother with a Personal Boat policy?

8. Explain how loss payments are determined when settling property damage to the insured boat.

9. Who is covered by liability coverage under the Personal Boat policy?

10. What steps can you and your agency take to respond to the increasing competition?

11. Homeowners and automobile insurance are usually considered to provide essential coverage. What is the value of optional coverages – such as Personal Articles, Personal Liability, and Personal Boat policies – in establishing a relationship with your customer?

CUSTOMER SERVICE LESSON

In this training package we have covered some basic insurance concepts and the most common of the personal lines products. Obviously we have not gone into great detail. Rather we have focused on the things you can do to provide excellent service to your customers. When you are ready to take the next step in learning about personal lines products, The Travelers Home Study Courses go into much more detail.

In this final lesson we will take a different approach. You will see three "case studies" on the video tape. In each you will see and hear the customer's problem, even hear what the customer is thinking. When instructed to do so, turn the tape off and use your customer service skills to answer the questions in this section of the workbook. Then turn the tape back on to see how your solution compares with ours.

In completing these exercises remember the rules of "The Agency Game:"

- *You must evaluate the needs of each customer to gain a clear understanding of his or her unique problems and circumstances.*
- *You must use your technical knowledge to explain features and benefits in terms your customer understands.*
- *You must be a problem-solver. This means explaining all the available options and coverages and guiding the customer to the best possible solutions.*
- *You must suggest ways your customer can save money without leaving dangerous coverage gaps.*
- *You must provide complete and accurate information in filling out forms and gathering claim information.*
- *You must keep your customer aware of rising replacement costs and update coverage when renewing policies.*
- *You must use supporting skills and be a facilitator in claim situations.*
- *You must look at each customer relationship not in terms of the initial sale but in terms of the service and continued interest that keeps the customer coming back.*

This isn't a game of chance. It's a game of skill and the stakes are high. Remember, your customers don't want insurance policies. They want protection, personal attention, fair treatment, convenience, reasonable prices, and good value. They want service. The kind of service that will help you and your agency succeed in a more competitive world.

Exercises

Situation #1

1. The customer is new to your agency but seems to know exactly what he wants— a car insurance policy with no frills. What strategy would you use in working with this customer?

2. The customer is interested in saving money but also is buying a very expensive car. What physical damage coverages would you suggest to provide the protection that he needs.

When you have completed answering these two questions, turn the video tape back on and compare your answers to those of the customer service rep. Answer #3 as you watch the tape.

3. As you listen to the solution, list the other policies or protection you might suggest to demonstrate your interest in solving problems—not just selling policies?

Situation #2

1. Paul is under a great deal of pressure to complete various tasks and to get the necessary coverage for the closing of his new home. Is now a good time to discuss an insurance program with him? What is the best strategy to use in working with this customer?

2. Why is it important for the customer to carry at least replacement coverage on the house?

3. What does your interest in stressing the proper coverage and working to solve immediate problems tell the customer about you and your agency?

4. What other coverages might you suggest to leave the door open for future business with this client?

Again, go back to the video tape and compare these answers with the customer service rep's approach in working with the customer.

Situation #3

1. The customer is upset about the accident and expecting the worst in the insurance settlement. What steps would you take to calm him down and investigate the claim?

2. What physical damage coverages apply in this accident?

3. Thinking back to the auto policy that was written for this customer in the first scene, how much of the $3000 damage will be covered, assuming a deductible of $200?

4. It's important to do something as quickly as possible to help the customer through this experience. Aside from getting his claim processed as quickly as possible, what other step might you take to reduce his inconvenience?

Compare your answers to those of our customer service rep on the video tape.

In this training package we have covered some general guidelines that you can follow to provide the best possible service to your prospects and your existing customers. We have illustrated on this final tape some specific ways that a customer received new insight into how insurance can solve some pressing problems. Based on what you've learned and on your own attitudes, write a statement that summarizes your own philosophy about the importance of customer service.