

IIAT Mentor's Guide

Part Three

Understanding Insurance

Part Three of the employee's guide is designed to introduce them to the nuts and bolts of insurance, but in a manner not overly technical. Your role as mentor is to help fill in the gaps not covered by the employee guide or the assigned readings.

Keep in mind, at this stage of their new career, your employee is probably not ready for detailed reviews of policies and coverage, but instead will be most helped by general information and an introduction to our industry's jargon.

Your employee will likely be coming to you with questions about various topics. Help them understand our business better by sharing your own experience or directing them to others in your office who have a background dealing with the subject at hand.

Now is the time to provide them with the recommended book *Introduction to Property and Casualty Insurance*, if available. If you chose not to use the book, there are questions for each exercise that you or another staff member will need to help your employee answer. This guide will give you additional information for some exercises that may help.

History of Insurance

The first exercise in Part Three calls for reading Chapter 1 of their book and considering some general principles of insurance including:

- The principle of sharing and the law of large numbers
- The difference between property and liability insurance
- The benefits of insurance to individuals and to society

Insurance Marketing

This section of the employee's guide introduces them to the annual cycle of the insurance policy and the sales process. Chapter 2 of their book discusses the various roles of members of an agency that work to sell a policy and making applications to carriers.

Be prepared to discuss:

- What personal characteristics make a successful producer
- Items that may be included in a submission to the carrier on a commercial account
- The difference between a captive agent, a direct writer, an independent agent, a broker, and a direct marketing company (such as GEICO)

The employee is also given an assignment to review an application for one of your customers and to find questions or other items of information on the application for which they don't understand their purpose. After they have identified those, help them see the reasons for supplying that information to the company.

Insurance Services

In Chapter 3 of their book they will be reading about:

- Types of insurance companies
- Alternative distribution channels
- Insurer functions
- Insurance regulation
- Insurer solvency

The employee's guide also discusses the impact that technology is having on policy issuance and delivery. Since there have been many advances in recent years, it is important to show how what the book describes – traditional policy creation at the insurance company – is changing rapidly.

The discussion of communication with the company and the customer provides an opportunity to introduce E&O issues involving communications. Again, a referral to additional information in InfoCentral is included for the employee's research.

Underwriting

Chapter 4 of How Insurance Works introduces the principles of deciding which customers an insurance company wants to write. You may need to help your employee in understanding the following topics that are addressed in an exercise.

- Adverse selection and an insurance company's desire to write the best accounts

- Loss ratios, expense ratios and combined ratios
- Loss control surveys – what they tell the underwriter
- Underwriting authority - from the agent's perspective
- Ways insurance companies make their quotes attractive, other than price

This section of the employee's guide also directs them to research InfoCentral on the IIAT website to learn more regarding underwriting rules in Texas. You may want to show your employee other online resources you or your staff use to learn more about a subject.

Claims Processing

The employee's guide introduces adjusters and the job they perform in the industry and suggests they identify who in the agency is responsible for claims reporting and follow up, if anyone specifically. There is a discussion of various valuation techniques (ACV, RC, etc.) and suggestions for additional research in InfoCentral.

Chapter 5 of their book discusses additional aspects of claims processing. You may wish to be prepared to discuss:

- Circumstances when a claim might not be turned in to the carrier
- How both company employee adjusters and independent adjusters are used by carriers
- Claims investigations and what adjusters are looking for
- Subrogation
- Incurred loss / reserves established by the carrier

Also in this section of the orientation guide is a Claim Handling Evaluation Tool (see following page). This simple chart is designed to help the employee understand the claims handling tendencies of various insurance companies, and how the customer might be impacted. The knowledge collected by using the tool should assist in communications with customers at claims time.

Insurance Policy Construction

This section of the employee's guide contains the first serious exposure to insurance policies. Chapter 6 of their book discusses the various sections of a policy and what they do. The exercise assigned asks them to also examine an actual policy for components. The goal is for them to get comfortable looking at the contracts and identifying important sections and language.

There are some questions they might need your assistance in answering.

- The words “damage” and “damages” are the type of jargon that can throw a newcomer to the business. We ask them to distinguish the two.
- The justification for exclusions in a policy are rarely provided to trainees in this business. We ask them to think about it. Two obvious reasons include 1) the insurance company wants more money, and 2) the risk is simply uninsurable due to the adverse selection.
- We ask them why vehicle ID numbers are required on auto policies.
- Limitations of coverage, rather than elimination of all coverage, sometimes appear in exclusions. The guide ask them to consider this. An example would be where the homeowners policy doesn't cover some type of plumbing leaks, but does others.

Claims Handling Evaluation Tool

For each aspect of the claims process below, indicate the number of days required, technique used, a rating (1-10) or grade (A-D), etc.	Company A	Company B	Company C
Property			
Adjusters			
<ul style="list-style-type: none"> • Independent • Staff 			
Days to Contact			
Ease of Contact with Adjuster			
Returning Phone Calls			
Attitude/Professionalism			
Knowledge			
Customer Complaints			
Customer Compliments			
Overall Property Rating			
	Company A	Company B	Company C
Auto			
Appraisers			
<ul style="list-style-type: none"> • Independent • Staff 			
Adjusters			
<ul style="list-style-type: none"> • Independent • Staff 			
Days to Contact			
Ease of Contacting Adjuster			
Returning Phone Calls			
Attitude/Professionalism			
Knowledge			
After Market Parts			
Preferred Repair Shops			
<ul style="list-style-type: none"> • Customer Advantage 			
Customer Complaints			
Customer Compliments			
Overall Auto Rating			

Personal Insurance

In Chapter 7 and this section of the guide, the types of policies are explained in the context of the exposures faced by individuals and families. If your new employee doesn't have a copy of *How Insurance Works*, you will need to find some personal lines policies for them to examine before they discuss the following issues with you.

- Auto liability coverage pays for BI and PD, not for every type of liability
- What an auto policy means when it says “collision”
- What PIP and Med Pay do
- What UM/UIM is for
- The extension of coverage in the homeowners policy for other structures
- Coverage for property off premises
- Flood
- Typical homeowners policy exclusions
- “All risk” vs. named peril
- Insuring to value on homeowners
- Loss of Use coverage

The guide also gives them an assignment to sit with an experienced personal lines co-worker (if available) and let them explain the purpose of commonly misunderstood coverage in a homeowners or auto policy.

Commercial Insurance

Here, the employee is put through the same kinds of readings and exercises as in the previous section. Their book discusses commercial lines in Chapters 8 and 9. If they don't have the book, they should be coming to you for samples of commercial policies to examine. They may need help with the following questions.

- What are three common types of business ownership that are usually indicated on the declarations page of a commercial policy?
- Describe at least three specific types of numerical information an agent might need to properly write the commercial insurance for a business.
- What is depreciation, and why is important to consider?
- What does a coinsurance clause encourage an insured to do?
- List at least five categories of business property that would be considered “personal property” or “contents” of the business.
- What is an advantage of having a “reporting” form property policy?
- What is a typical “self insured retention” on a commercial umbrella policy?
- What kind of business might need “bailee’s” insurance?
- What do we call the insurance policies that are specially designed to insure computer systems?
- What kind of insurance policy does a business need to protect themselves from theft by their own employees?

Premiums

This section explores what goes into developing rates and premiums. Chapter 10 of the book does a good job with the details. If you don't have the book, you will need to give them some illustrations of how policies are rated in your agency. If most of the rating is done through your automation system, they may benefit from watching another employee go through the process of inputting the data to develop a premium. That employee should take the time to review some of the simple calculations that you think are important to understand (example: how the rate per \$100 of value generates a property premium).

Good answers to the review questions in their guide could be:

1. Class rating
2. Consistent with the exposures, easily measured, simple
3. Insurance Services Office
4. Car type, miles driven, driver record, use, territory
5. Territory and construction
6. Payroll
7. (Emods) Adjust the premium to reflect their loss history

REMINDERS:

- Encourage your new employee to organize their workday and work week with a plan and a schedule
- Try to maintain a coach's attitude, instruction mixed with encouragement.
- If the pace of their orientation is getting tedious, they may need some variety.