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Message from the Chair — Communication + Appreciation = Satisfaction

by Richard T. Lang, CPCU, AIM



Richard T. Lang, CPCU, AIM, is a senior examiner/team advisor with Bear River Mutual Insurance Company, where he is responsible for complex liability automobile and homeowner injury losses. He reviews staff files, manages litigation file discussions and provides training. Lang has worked on various projects involving underwriting and claim management systems. In addition, he has performed peer reviews for insurance trade publications. Lang has held several committee positions with the CPCU Society's Utah Chapter, and currently is serving a three-year term as chair of the Personal Lines Interest Group.

Greetings all! I want to acknowledge and relay our appreciation for your support and participation in making the Personal Lines Interest Group (PLIG) a valuable and enriching commodity for our personal lines community. We are working diligently to finalize the seminars and networking events planned for the 2009 CPCU Society Annual Meeting and Seminars in Denver, Colo. We also continue to seek up-to-date topics affecting our industry to relay to you via this newsletter. If there are topics of interest you would like addressed, please enter a discussion note in the FAQ section of the PLIG Web site or send an e-mail to us at cpcuplig@gmail.com.

Recently, I became aware of a study released in March 2009 by the National Association of Insurance Commissioners (NAIC), which found that the top reasons consumers filed formal complaints against their insurers in 2008

were delays, claim denials and receiving an unsatisfactory settlement offer. With today's challenges facing the personal lines insurance industry, including increasing market competition, I want to remind everyone of the importance of providing exceptional service and information to your customers.

From experience I have found that complaints often arise out of a misunderstanding or lack of information surrounding the reasons of denial, delay or amount of settlement. If a dispute arises, with good communication the parties are able to agree to disagree and have mutual respect for each other and the process.

The importance of communication was reinforced when I recently attended a symposium offered by the National

Continued on page 2

What's in This Issue

Message from the Chair — Communication + Appreciation = Satisfaction. . . .	1
Note from the Editor	3
Business Use Under the Personal Auto Policy	4
Trying to Save Money on Insurance? Proceed with Caution, Warns the Insurance Information Institute	5
Top 10 Contractor Hiring Tips for Homeowners	7

Message from the Chair — Communication + Appreciation = Satisfaction

Continued from page 1

Seminars Group on techniques every leader must master. Like many discussions focusing on this topic, communication and appreciation were stressed as the most important factors in achieving customer and employee satisfaction.

As CPCUs, our responsibility and willingness to put the needs of others above our own will result in higher retention of quality employees and customers while reducing costs and maintaining a profitable bottom line for our organizations. We also strive to educate and serve our customers so they understand our goal is to assist them in their time of need and to fulfill their policy's promise to pay for a covered loss.

It is in this spirit that I challenge you to look for ways to honor those you work with by acknowledging their accomplishments, listening to their points of view, and confirming a mutual understanding of the issue at hand — *before* asserting your well-intentioned response. This conscious effort and awareness will demonstrate and provide opportunity to share the vision of the CPCU Society with our clients while providing excellent customer service and educating those who do not understand all we have to offer as an interest group and a profession! ■

THE PERSONAL LINES INTEREST GROUP PRESENTS

EMERGING TRENDS IN PERSONAL LINES INSURANCE

Sunday, Aug. 30, 2009 • 9:30–11:30 a.m.

This seminar will provide an informative look at the changing needs of the personal lines marketplace from various perspectives, including underwriting, claims and marketing, and how the industry is responding with new data, analytic tools and approaches. Filed for CE credits.

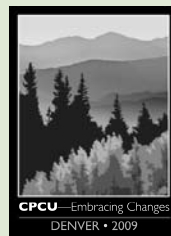
EMBRACING TECHNOLOGY IN UNDERWRITING

Tuesday, Sept. 1, 2009 • 1:30–3:30 p.m.

(Developed with the Underwriting Interest Group)

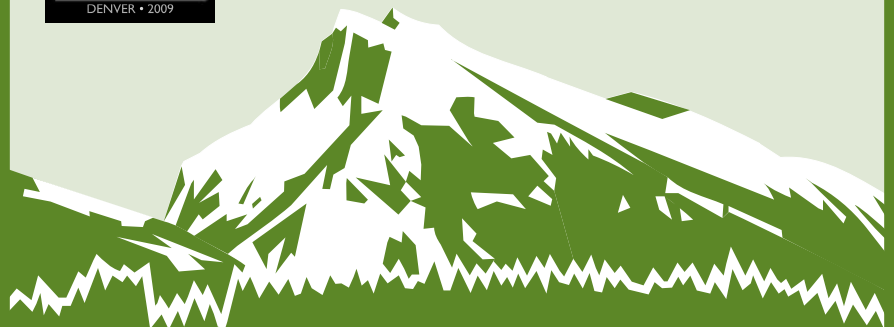
An executive from Accenture — a global management consulting, technology services and outsourcing company — will join personal and commercial underwriting executives in analyzing the benefits and challenges arising out of the growing use of technology in underwriting.

Invite your CPCU and non-CPCU colleagues and friends to join you at both of these informative sessions!



**CPCU Society
65th Annual Meeting and Seminars
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visit www.cpcusociety.org.**



Note from the Editor

by Daniel L. Blodgett, CPCU, AIM, AIS



Daniel L. Blodgett, CPCU, AIM, AIS, is a project manager in the Systems Department of State Farm's Home Office in Bloomington, Ill. He started with State Farm in 1990, holding positions such as auto underwriter and supervisor in the State Farm Payment Plan. Blodgett is on the board of directors of the CPCU Society's Central Illinois Chapter, and is past president of the Society's Southwestern Michigan Chapter and past chair of the Personal Lines Interest Group.

Hello again to all! Well, spring is in full swing and baseball scores are starting to edge some of the economic news from the headlines. Here's something to think about — I recently read a colleague's summary of the economic situation and obtained permission to share the main points, as follows:

"You can't pick up a newspaper, look at the Internet or turn on the television these days without seeing or reading something about the economy. We are in a time that is unlike any we have seen. We have been through recessions before, but today's economic climate is much different. To make a comparison, I will use three different letters to describe the cycles — V, U, and L.

- In a 'V' recession, we witness a sharp decline followed by a quick recovery. The recession in 2001 was an example of a 'V'-type recession.
- During 1990–1991 and 1981–1982, our economy experienced a 'U'-type recession. This cycle also has a sharp decline, but the recovery takes a little longer. For much of 2008, I — and most economists — believed we were in a 'U' recession with a recovery expected sometime in 2009 or 2010.
- Now, I believe the current recession is more like a letter 'L'. A sharp decline is still occurring and we're not quite sure when it will reach the bottom. Some economists predict that once the bottom is reached, the economy will remain level for some time (3-5 years) prior to recovering."

So, hopefully your favorite baseball team (if applicable) is off to a good start to the season, or maybe it has room for improvement throughout the summer.

Maybe the economy will soon evolve out of the 'L' towards the 'U' so that the focal point of the news can also evolve. Of course, the sports section will probably focus on ticket prices at the ballpark!

Enjoy this issue of the Personal Lines Interest Group newsletter and maybe catch a game or two. I offer the following for our third issue in 2009:

- Our chair, **Richard T. Lang, CPCU, AIM**, leads out the issue with his thoughts and insights about communication being the cause of most customer complaints.
- Our own **David A. Thompson, CPCU, AAI, API**, writes on business use and the personal auto policy (PAP).
- Tips are shared from the **Insurance Information Institute** on being careful when trying to save money on insurance.
- Rounding out the issue, **Robin K. Olson, CPCU, CRIS, ARM, AAM, ARP**, provides an article on tips for homeowners when hiring a contractor.

Until next time ... ■

Business Use Under the Personal Auto Policy

by David A. Thompson, CPCU, AAI, API



David A. Thompson, CPCU, AAI, API, is an instructor with the Florida Association of Insurance Agents in Tallahassee, Fla. He travels extensively throughout the country presenting continuing education seminars.

A recent question posed by an agent pointed out the need to read the auto policy before jumping to conclusions. A co-worker of mine said he wanted to run a coverage question by me before he answered an agent. The situation was that the insured had a personal auto policy (PAP) correctly rated for pleasure use.

This insured flew out of town on a business trip, rented a car, and during the course of the business trip damaged the car in an accident. He turned the claim in to his PAP insurance company, which promptly denied the claim, stating that because the PAP was rated for personal use, the car rented for business use was not covered for physical damage.

Hearing the situation, I promptly stated that the company's position was incorrect because rating on the PAP does not affect coverage for a rental vehicle. My co-worker agreed, and we remarked how "Most likely no one even read the policy before denying the claim." Then ... I was humbled, as was my co-worker. He called from his cell phone saying he had obtained a copy of the policy in question and found this language in the physical damage coverage section:

"Coverage under this part does not apply to a non-owned vehicle rented by you or a relative if being maintained or used by a person while employed or engaged in any business. However, this exclusion does not apply if you have paid our business use surcharge."



There it was, just as the company stated — no physical damage coverage on a rented auto unless the PAP had a business

use rating. This points out how different one company can be from another when it comes to coverage issues. The standard Insurance Services Office (ISO) PAP would clearly cover this claim because there is no such business use exclusion found in that policy.

This insured's company is not alone in using its own policy language. Other carriers have language in their respective forms that excludes coverage for a rental car used for business purposes. And when one considers the thousands of people traveling for business these days, a coverage gap such as this is significant.

The bottom line is: Policies have a unique language that can create serious problems come claim time. Agencies should make certain their PAP clients are asked if they **ever** rent a vehicle for business purposes. If answered affirmatively, and if the policy excludes such usage, this gap needs to be pointed out **and documented** at the time the policy is written and at each "insurance checkup" with the client. If endorsements exist to fill the gap in coverage, they should be added to the policy. While it does take additional time, it's time well invested if it saves a claim denial for a client. ■

Trying to Save Money on Insurance? Proceed with Caution, Warns the Insurance Information Institute

Six Mistakes to Avoid in a Struggling Economy

by Insurance Information Institute Staff

Editor's note: The following news release was issued by the Insurance Information Institute (I.I.I.) on Jan. 5, 2009, and is reprinted with permission. The I.I.I. is a nonprofit communications organization supported by the insurance industry.

With increasing job instability and the value of paychecks and investments going down, you may be tempted to cut corners on your insurance. While there are many smart ways to save money on insurance, the Insurance Information Institute (I.I.I.) alerts consumers that there are also mistakes that could result in being dangerously underinsured.

"Asking about available discounts and comparison shopping are excellent ways to cut insurance costs," said **Jeanne M. Salvatore**, senior vice president and consumer spokesperson for the I.I.I. "Consumers should not try to save money by reducing or dropping necessary coverage. This could result in a financial disaster if there is a fire, hurricane, severe winter weather or other catastrophe."

Following are the six biggest insurance mistakes you should avoid:



(1) **Insuring a Home for Its Real Estate Value Rather than the Cost of Rebuilding.**

With the value of real estate going down, some home buyers may think that they can reduce the amount of insurance on their

home. Insurance, however, is designed to cover the cost of rebuilding a home. It is not linked to the sale price of the home. Homeowners should be careful to purchase enough insurance coverage to completely rebuild their home and replace their belongings.

A Better Way to Save Money —
Take a higher deductible. Consider a deductible of at least \$500. If you can raise the deductible to as much as \$1,000, you may save up to 25 percent on many home insurance policies. The average person only files a claim every eight to 10 years, so most homeowners will save money over time.

(2) **Selecting an Insurance Company by Price Alone.**

When shopping for insurance, it is important to select a company that is financially sound and has a reputation for outstanding customer service. Check the financial health of an insurance company by using ratings from independent rating agencies. Contact your state insurance department to find out whether they make available consumer complaint ratios by company.

A Better Way to Save Money —
Ask friends, relatives and business acquaintances for recommendations. It is important to select an insurance company that answers questions and handles claims fairly and efficiently. Remember, you will be dealing with this company if you have an accident or other emergency, so you want to find a company that will be responsive to your needs.

(3) **Surrendering a Whole-Life Insurance Policy for Its Cash Value.**

Life insurance policyholders who need to raise money quickly often make the mistake of surrendering a whole life insurance policy for its cash value. This can potentially hurt the long-term financial health of your family for a short-term gain, and you may also regret the move if you have to buy another whole life insurance policy in the future. Older individuals pay higher life insurance premiums and, if your health has deteriorated between the time you surrendered a whole life policy and the time you want to buy a new one, your next policy will be even more expensive.

A Better Way to Save Money —
Speak with your life insurance agent about borrowing against the cash-value of your whole life policy.

(4) **Dropping Flood Insurance.**

Damage from flooding is not covered under standard homeowners and renters insurance policies. Instead, you must purchase a separate flood insurance policy. Most people tend to underestimate the risk of flooding. In fact, 90 percent of all natural disasters in this country involve flooding, according to the National Flood Insurance Program (NFIP).

A Better Way to Save Money —
Look into the cost of flood insurance before selecting a house or apartment, since flood insurance should be calculated into the cost of the home. In 2007, the average amount of flood

Continued on page 6

Trying to Save Money on Insurance? Proceed With Caution, Warns the Insurance Information Institute

Continued from page 5

coverage was \$201,598 and the average NFIP premium was \$505; more detailed information on the risk and cost of flood insurance can be found at FloodSmart.gov.



(5) Only Purchasing the Legally Required Amount of Liability Protection for a Car.

Every state has financial responsibility laws for drivers requiring you to buy a minimum amount of liability coverage. However, if you buy only the minimum coverage, you may end up paying significantly more out-of-pocket in the long run. In our litigious society, you will likely need more liability insurance than the state requires because accidents generally cost more than the minimum limits. If you are found legally responsible for bills that are more than your insurance covers, you will have to pay the difference yourself, and these costs could wipe you out. You may want to talk to your agent or company representative about purchasing higher liability limits to reflect your personal needs. And you can consider purchasing an umbrella or excess liability policy. These policies pay out once your underlying coverages have been exhausted. A typical umbrella policy costs between \$200 and \$300 per year for a million dollars in coverage.

A Better Way to Save Money — Before you buy a new or used car, check into insurance costs. Your

premium is based in part on the car's sticker price, the cost to repair it, its overall safety record and the likelihood of theft. Many insurers offer discounts for features that reduce the risk of injuries or theft. These include air bags, anti-lock brakes, daytime running lights and anti-theft devices. Some states require insurers to give discounts for cars equipped with air bags or anti-lock brakes. Cars that are favorite targets for thieves cost more to insure. The Insurance Institute for Highway Safety provides information that can help you decide which car to buy.

You can also consider dropping collision and/or comprehensive coverage on older cars. It may not be cost-effective to continue insuring cars worth less than 10 times the amount you would pay for coverage. As a general rule, it does not make sense to pay comprehensive or collision on a car worth less than \$1,000, as any claim payment you receive would not substantially exceed your premiums minus the deductible. Auto dealers and banks can tell you the worth of a car, or you can look it up online at Kelley Blue Book.



(6) Neglecting to Purchase Renters Insurance.

Buying a renters insurance policy can provide a very important financial safety net. Renters insurance covers personal

possessions in the event there is a fire or other insured disaster. It will not only pay to replace your belongings, but also provides coverage for additional living expenses and liability protection in the event someone is injured on your property. With the average policy costing only about \$200 per year, it is also affordable. Unfortunately, a 2006 Insurance Research Council poll found that only 43 percent of renters had insurance compared with 96 percent of homeowners.

A Better Way to Save Money — Look into multipolicy discounts. Purchasing several policies with the same insurer will generally provide some savings in the form of a discount; check the cost of getting your renters insurance policy with the same company that provides your auto, life or excess liability policy. ■

Top 10 Contractor Hiring Tips for Homeowners

by Robin K. Olson, CPCU, CRIS, ARM, AAM, ARP



Robin K. Olson, CPCU, CRIS, ARM, AAM, ARP, is director of training and education for the International Risk Management Institute (IRMI) and editor of IRMI's *Personal Lines Pilot*. He contributes articles on personal risk management and auto risk management to the Expert Commentary section of IRMI.com. Olson also serves as an adjunct professor at the University of North Texas, where he teaches risk management classes. Before joining IRMI in 1998, he was an underwriting manager for two national insurance companies, where his experience encompassed both personal and commercial lines.

A home is a very valuable asset. And proper maintenance is a key factor in the retention and growth of a home's value. This factor is one reason why it is important for homeowners to hire highly qualified contractors when making major repairs or renovations. Pass along the following 10 fundamental rules to your clients to use as a resource when they need to select a contractor to work on their homes:

- (1) Be wary of contractors who solicit business door-to-door or via cold calls. In addition, avoid contractors who quote you a price that will automatically go up the next day or week if you don't accept it immediately.
- (2) Obtain recommendations from friends, family members and neighbors about experienced and reputable contractors who have performed excellent work for them.
- (3) Ask for a written estimate from the contractor that includes any oral agreements the contractor makes during this process. The estimate should contain a line-by-line breakdown of costs, including materials and labor. In addition, ask if there is a charge for an estimate. If there is, avoid dealing with this contractor.
- (4) Obtain at least three estimates along with the names and phone numbers of two former customers of the contractor. Contact these customers and ask about the work performed.
- (5) Do not automatically select the lowest bidder. Their work may be lacking in quality.
- (6) Verify that the contractor is licensed, bonded and properly insured. Ask for certificates of insurance for workers

compensation and general liability policies.

- (7) Contact the Better Business Bureau (BBB) to see if complaints have been filed against the contractor. This can be performed via the BBB's Web site at www.bbb.org.
- (8) Avoid dealing with a contractor who asks you to pay for the entire job before the work begins. The standard practice is to pay 33 percent of the job upfront.
- (9) Get a copy of the proposed contract. Ideally, it should include a hold harmless clause in your favor, particularly for major work such as when heavy equipment will be used in constructing a swimming pool. A hold harmless clause specifies that the contractor will indemnify you with respect to your liability to members of the public who are injured or whose property is damaged during the course of the contractor's operations. The contract should also explicitly specify the work to be performed; the start and end dates; payment agreements; and warranty information.
- (10) Ask a knowledgeable friend, relative or attorney to review the home repair contract before you sign. ■



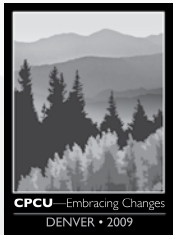
Personal Lines Interest Group

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Personally Speaking

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Personal Lines Interest Group
<http://personallines.cpcusociety.org>

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