

# Property Casualty Insurance



# Property Casualty Industry

## 2008 Results

Net Premiums Declined 1.8%

Underwriting Loss \$20 Billion

Combined Ratio 104.7%

Financial Guarantee Combined 305%

Investment Income Declined 47%

Capital and Surplus Declined 11.3%

# Distribution Systems

- Direct Writers - USAA Allstate Farmers
- Independent Agents – Travelers AIG

## Observation #1

- The higher the net worth of your clients the more likely that the independent agent system will provide better coverage and service when compared to direct writers.

# Personal and Commercial Lines

- \* Personal Lines
  - Less Interaction
  - More of a commodity
  
- \* Commercial Lines
  - More interaction
  - Less of a commodity

## Observation #2

- Financial planners are in a better position to recognize changes in the financial position of their clients than insurance agents.

## Observation #3

- A benchmark for distinguishing a high performance agent and a poor performer can often be spotted in the handling of the money transactions between the insured and the company

## Financial Security Duties of an Agent

Company Insolvent at time of purchase

Did agent have actual knowledge

Yes- Agent Liable

No- Did agent use reasonable skill

Yes- Agent not liable

No- Agent Liable

# Financial Security Duties of an Agent

Company Insolvent after purchase

Did agent have actual knowledge of the pending insolvency and took no action.

Yes- Agent Liable

No- Did agent use reasonable skill

Yes- Agent not liable

No- Agent Liable

# Monitoring Financial Security

## A M Best Financial Ratings

Secure Rating - B+ to A++      Move On

Unsecure Rating - Below B+      Notify Client

# Business Insurance

## Things to Look for

### Workers Compensation-

Are owners included in coverage or not?

If not, do they have sufficient health, disability and life insurance.

# Business Insurance

## Things to Look for

### Property Insurance-

Are there significant differences between the amount insured and the current value of the property?

If not, move on.

If there are, notify your client.

# Business Insurance

## Things to Look for

### Liability Insurance-

Are there adequate liability limits in the event of a serious claim?

If they carry umbrella coverage, move on.

If not, recommend they purchase one.

# Business Insurance Things to Look for

Autos, Planes and Boats-

Skip it!

# Business Insurance

## Things to Look for

### Boiler and Machinery and Equipment Breakdown-

#### Coverage

1. Direct Property Loss
2. Loss of Business Income
3. Other Expense to Limit Loss or Speed Restoration
4. Loss of Value of Spoiled Products
5. Business Recovery Expense

# Business Insurance

## Things to Look for

### Boiler and Machinery and Equipment Breakdown-

#### Covered Causes of Loss

1. Mechanical Breakdown
2. Electrical Arcing
3. Artificially Generated Electrical Currents
4. Centrifugal Force
5. Boiler Overheating
6. Pressure Vessel Bulging, Cracking or Collapsing

# Business Insurance

## Things to Look for

### Boiler and Machinery and Equipment Breakdown-

#### Types of Equipment Covered

Boilers and Pressure	Electrical Distribution
Heating and Cooling	Refrigeration Systems
Production Equipment	Office Equipment
Computer Technology	Communication Systems
Security and Fire Detection	Ovens, Stoves and
Elevators, Escalators,	Cash Registers and Inv.
Diagnostic Equipment	

# Business Insurance Things to Look for

## Crime and Employee Dishonesty-

### Coverages Available

Employee Theft	Erisa Fidelity
Employee Theft of Client	Forgery or Alteration
Cash on Premises	Cash in Transit
Counterfeit Money	Funds Transfer
Personal Accounts	Cash Register/Inventory
Computer Fraud	Electronic Data Restoration

# Business Insurance Things to Look for

Employment Practices Liability-

Wrongful Termination

Wrongful Employment Practices

# Personal Insurance Things to Look for

Autos, Boats, and Big Toys-

Skip It!

# Personal Insurance

## Things to Look for

### Liability-

Do they carry sufficient liability limits?

If they have a personal umbrella, move on.

If they don't recommend they buy one.

# Personal Insurance Things to Look for

Homeowners-

Shop the renewal.

Credit scores are important.

The idea of gaining goodwill for being a long term customer is a myth. The product is a commodity and the claims service won't be that much different between companies.

# Personal Insurance

## Things to Look for

### Homeowners- Coverages

What is not covered by the policy:

1. Animals and Birds
2. Things with Motors
3. Some Other Odds and Ends that aren't significant.
4. Electrical damage other than lightning.
5. Flood
6. Increased cost of construction from building laws
7. Mold

# Personal Insurance

## Things to Look for

### Homeowners- Coverages

What is partially covered by the policy:

1. Money and unauthorized use of credit cards - \$100
2. Gold, Bullion, and Valuable Papers - \$500
3. Jewelry, Watches and Furs - \$500
4. Business Property - \$2500

# Personal Insurance

## Things to Look for

Homeowners-

Insurance to Value –Avoid the Coinsurance Penalty

Actual Cash Value Vs. Replacement Cost

# Claims Adding Value

Have a financial catastrophe plan to provide liquidity in the event of an emergency.

# Claims

## Things that Create Disputes

1. Insurance to value and coinsurance penalties
2. Lack of documentation
3. The application of depreciation to Actual Cash Value policies. (Replacement Cost Coverage Eliminates the Problem)
4. Excluded Losses- Primarily Flood and Windstorm