

AAI 81B

Foundations of Insurance Production

Segment B

Personal Insurance

COURSE LEADER HANDBOOK

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Appendix A

Learning Activities

Introduction

This section provides some case studies and exercises for each assignment. The material is geared specifically toward this course. Not all assignment objectives will be covered, so you should supplement these exercises with your own material. Module four of the general course leader handbook provides some ideas on how you can create your own exercises.

Students can work on these exercises as a class; they can also work on them in small groups or independently, reporting back their solutions. To add variety in the classroom, include both group and individual work in each class.

In the segment format, you should not expect to conduct more than one or two of these exercises in any single session.

Special Notes

As mentioned, all assignment objectives are not addressed in this handbook. The ones addressed were chosen randomly. They are not of any greater or lesser importance than any other assignment objective.

Vocabulary is a very important part of Institutes exams and is vital to good communication in the industry. While none of the exercises in this handbook specifically address the key words and phrases, you should incorporate them into the exercises that are provided. You may also want to create your own exercises to specifically address them to each assignment.

Assignment 1—Homeowners Insurance

Homeowners Create-a-Chart Exercise

Relates to Assignment Objective 1

Given a personal lines case, identify which homeowners forms and endorsements would be appropriate to cover the specified exposures.

In advance of your class, prepare one or both of the charts that follow. In the interest of time, you can pre-fill some of the information. Use the terms in the chart, such as replacement cost and open perils, to explain these important key phrases. Visual learners often enjoy seeing written material made into a picture or graphic, and those who need to write down information in order to retain it will find this technique very helpful as well. Preparation of this chart enables you to teach the majority of the material in this assignment. A blank chart and sample completed chart are provided on the following pages.

HOMEOWNERS COMPARISON CHART

FORM	HO-2 Broad Form	HO-3 Special Form	HO-5 Comprehensive Form	HO-8 Modified Form	HO-4 Contents Broad Form	HO-6 Unit Owners Form
Section I— Property Limits A—Dwelling B—Other Structures C—Personal Property D—Loss of Use						
Causes of Loss (Perils Covered)						
Loss Settlement						

FORM	HO-2 Broad Form	HO-3 Special Form	HO-5 Comprehensive Form	HO-8 Modified Form	HO-4 Contents Broad Form	HO-6 Unit Owners Form
Section I— Property Limits						
A—Dwelling	Selected by insured	Selected by insured	Selected by insured	Selected by insured	N/A	\$1,000 flat
B—Other Structures	10% of A	10% of A	10% of A	10% of A	N/A	Included in A
C—Personal Property	50% of A	50% of A	50% of A	50% of A	Selected by insured	Selected by insured
D—Loss of Use	30% of A	30% of A	30% of A	10% of A	30% of C	50% of C
Causes of Loss (Perils Covered)	Fire or lightning Windstorm or hail Explosion Riot or civil commotion Aircraft damage Vehicle damage Smoke Vandalism and malicious mischief Theft Glass Falling objects Weight of ice, snow or sleet Accidental discharge of water Sudden tearing apart Freezing Artificially generated electrical current Volcanic eruption	Open Perils Coverage A & B Broad Form Coverage C	Open Perils Coverage A,B,C	Fire Lightning EC VMM Theft (\$1,000) Glass Volcano	Broad Form (same as HO-2)	Broad Form (same as HO-2)
Loss Settlement	Replacement Cost Coverage A,B ACV Coverage C	Same as HO-2	Same as HO-2	ACV Coverage A, B, and C	ACV Coverage C	ACV Coverage A and C

HOMEOWNERS SECTION II—LIABILITY AND MEDICAL PAYMENTS COVERAGE

	Coverage E—Personal Liability	Coverage F—Medical Payments
Coverage		
Basic Limits		
Persons Insured		
Locations Insured		
Exclusions		
Conditions		

HOMEOWNERS SECTION II—LIABILITY AND MEDICAL PAYMENTS COVERAGE

	Coverage E—Personal Liability	Coverage F—Medical Payments
Coverage	Claims made or suits brought against an insured for damages because of Bodily Injury or Property Damage caused by an occurrence to which this insurance applies	Necessary medical expenses that are incurred or medically ascertained within 3 years from the date of an accident causing bodily injury
Basic Limits	\$100,000 per occurrence	\$1,000 per person
Persons Insured	<ul style="list-style-type: none"> -Named insured -Resident relatives -Under 21 in care of above -Relatives under 24 away at school -Person or organization responsible for animals or watercraft -Residence employees and others using a covered vehicle 	<p>EXCLUDES: Insureds and residence employees</p> <p>COVERS: -Persons on insured location with permission -Persons off premises if BI: (1) Caused by insured's activities (2) Caused by residence employee (3) Caused by animal owned or in care of insured</p>
Locations Insured	<ul style="list-style-type: none"> -“Residence premises” -Other locations used as a residence shown in declarations or acquired during policy period -Nonowned where insured is temporarily residing -Vacant land -Land where a home is being constructed -Cemetery plots and burial vaults -Part of premises rented to insured for other than business purposes 	<ul style="list-style-type: none"> -Residence premises -Other locations as noted above
Exclusions	<ul style="list-style-type: none"> -Loss assessments (except under Additional Coverage) -Contractual (except incidental) -PD to property owned by insured -PD to property in the care of an insured except due to fire, smoke, explosion -Workers' compensation -Nuclear -BI to insured -Expected or intended -Business pursuits including day care -Rental property (with exceptions) -Professional services -Not an insured location -Motor vehicles (with exceptions) -Watercraft (with exceptions) -Aircraft -War -Communicable diseases -Sexual molestation/abuse -Controlled substances 	<ul style="list-style-type: none"> -Residence employee off premises -Workers' compensation -Nuclear -Person, other than residence employee, regularly residing on premises
Conditions	<ul style="list-style-type: none"> Limit of Liability Severability of Interest Duties After a Loss Suit Against Insurer Bankruptcy of Insured Other Insurance 	<ul style="list-style-type: none"> Limit of Liability Same Duties of Injured Person Same Same Not included Payment of Claim

Small-Group Exercise

Relates to Assignment Objective 2

Describe the ways in which homeowners policies may be successfully marketed (a) to the community at large and (b) to a segmented portion of the market.

This may be a good section in which to run a small-group brainstorming session. Have one group take the issue of marketing homeowners policies to the community at large and the other to a specific, segmented group. Using the material in the book as an example, have each group create additional marketing and advertising activities that it would engage in to reach its target market. This shouldn't take more than 10 minutes, with an additional 5 minutes to debrief.

Group Exercise

Relates to Assignment Objective 3

Given a personal lines case involving a prospect, prepare a proposal that is responsive to the prospect's insurance needs. In support of the assignment objective listed above, you should be able to do the following:

- a. Identify the prospect's insurance needs.
- b. Illustrate the information an underwriter needs to evaluate a homeowners submission.

Create or adapt a case study from the text. Assume that the prospect is currently purchasing an HO-2 and you wish to propose an HO-3, or that the prospect is currently purchasing an HO-3 and you are proposing an HO-5. Ask the group members to take the various features of the policy and create a list of questions they would ask to determine if the policy features meet or address the prospect's insurance needs. For example, "Mr. Prospect, you've indicated that you like the idea of the insurance company paying for your losses, unless they are specifically excluded under your policy. Does it also make sense to you that this same situation apply to a loss to your Personal Property as well?"

NOTE: This would be applicable only to the HO-3 to HO-5 conversion.

Assignment 2—Personal Automobile Insurance

Compare and Contrast

Because state law differs significantly in the area of automobile insurance, this assignment should allow you to compare the legal issues in your state with those in others. Remember that students will not be tested on state-specific issues, however, so be careful not to spend too much time on the details. The idea is to compare and contrast the different rules of law. For example, if yours is a no-fault state, you can start by providing the details of typical no-fault laws. This shouldn't take long because it will be the system your students are most familiar with. Then, compare it to a pure no-fault system, and to the tort-based states where contributory negligence or comparative negligence are used. Also, is your state a financial responsibility state or a compulsory insurance state? Do you use junior drivers' licenses? What about guest and vicarious liability statutes? You may have to do some research in advance, but it will make for a livelier discussion if you do.

Case Study

Relates to Assignment Objective 2

Given a personal lines case study, identify which PAP coverages or endorsements would be appropriate to cover the specified exposures.

In support of the assignment objective listed above, you should be able to do the following:

- a. Explain the legal doctrines that affect automobile insurance.
- b. Describe the provisions of the PAP and the most common endorsements attached to it.

To assist students in understanding the provisions of the PAP, you might consider presenting “mini-cases” to determine which coverage, if any, would apply under the policy. For example:

John took his insured vehicle to work. He was unable to start it at the end of the day. His boss offered to let John borrow one of the business' owned vehicles for the night. On the way home, John was involved in an accident that damaged both the business' vehicle and another vehicle. How would John's PAP apply?

This should generate a discussion of the insuring agreement as well as any applicable exclusions. Also, if the class determines that there is no coverage, is there an endorsement that could have provided coverage?

Use the questions at the end of the chapter as cases, or use them as a starting point to come up with your own.

Personal Automobile Complete-a-Chart Exercise

Relates to Assignment Objective 3

Explain the rating procedures used for private passenger automobile insurance.

Have the class members complete the following chart based on what they have learned about the rating structure for personal automobile insurance. (You can put these on a PowerPoint slide or reproduce them for use in class.) A blank chart and a completed chart are included.

Risk Factor	Higher Risk	Lower Risk
The driver's age		
The number of years the driver has been licensed		
The driver's gender		
The driver's marital status		
The driver's motor vehicle records		
The place where the vehicles are usually driven		
The number of miles the vehicle is driven annually		
The use of the vehicle		
The type of vehicle		
Vehicle safety devices		
Relationship to vehicle		

Risk Factor	Higher Risk	Lower Risk
The driver's age	Under 18 (youthful operator)	Over 25
The number of years the driver has been licensed	Less than 3	3 or more
The driver's gender	Male (youthful operator)	Female
The driver's marital status	Single	Married
The driver's motor vehicle records	Tickets Accidents	Clean record
The place where the vehicles are usually driven	Congested urban area	Farm
The number of miles the vehicle is driven annually	Over 20,000	Less than 7,500
The use of the vehicle	Business	To and from school less than 3 miles
The type of vehicle	Sport utility vehicle (SUV), sports car	4-door sedan
Vehicle safety devices	Seat belts	Air bags
Relationship to vehicle	Owner	Occasional user

Assignment 3—Other Personal Insurance

Case Study

Relates to Assignment Objective 1a

Describe the special problems involved in insuring customized and special-purpose vehicles and the endorsements available to cope with these problems.

Relates to Assignment Objective 1b

Describe the exposures associated with the ownership and use of snowmobiles, golf carts, motor homes, camping trailers, customized vans, “classic autos,” and other recreational vehicles and describe the policies and endorsements available to cover these exposures.

Have the class identify the appropriate endorsement(s) and/or policies that would tailor coverage to the insured’s needs in each of the following situations. Note that there may be more than one viable solution to each situation.

1. 1965 Ford Mustang convertible, parked in the insured’s garage
2. Camper shell used occasionally on the insured’s pickup
3. Golf cart used by insured in a gated senior community
4. Snowmobile used off the insured’s premises
5. Four-wheeled all-terrain vehicle (ATV) used exclusively on the insured’s premises
6. Motorcycle used by the insured to go back and forth to work
7. Motor home rented by the insured
8. Motorized wheelchair used to assist the insured’s mother
9. Minibike used off-road by the insured in racing contests
10. 1999 Limited Edition Pontiac Firebird, used as Indianapolis 500 pace car

Watercraft Complete-a-Chart Exercise

Relates to Assignment Objective 1d

Compare the coverages available for pleasure boats under homeowners policies and under other policies.

This is a relatively simple chart students can complete to determine which policy provides the type of coverage needed by the insured. A partially completed chart is provided.

WATERCRAFT COVERAGE COMPARISON

Type of Policy	Homeowners Section I	Homeowners Section II	Watercraft	Outboard Motor and Boat Floater	Yacht
Coverage Provided					
Type of Watercraft Covered					
Coverage Provided	<ul style="list-style-type: none"> • \$1,500 limit including trailer • Named perils • Windstorm only if in fully enclosed building • No theft away from premises 	Coverage E limit			Hull RDC P&I
Type of Watercraft Covered	Any	<ul style="list-style-type: none"> • Sailboat under 26 length • Inboard or inboard/outdrive < 50 hp, rented to insured 			

Assignment 4—Personal Financial Planning

The topic of this assignment is one with which most of your students will at least be familiar.

Role Play

Relates to Assignment Objective 4

Given a personal lines case, calculate an appropriate limit of coverage (death benefit) for a client.

There is no better case study than one that involves your class participant! This is a good opportunity to have students engage in a role play that will allow them to reinforce the concepts in the chapter.

Divide the class into groups of two. Have them interview each other to determine their life insurance needs. Have the first person base his or her discussion on the Human Life Value approach to determine a limit, and have the next person use the Needs Approach. If people are uncomfortable revealing personal information, they are free to make it up.

Role Play

Relates to Assignment Objective 5

Given a personal lines case, identify the life insurance policies and endorsements (riders) that would be appropriate.

Using the coverage amounts determined in the previous role play, have the group members continue by making a presentation to their “client” that includes a discussion of the various types of policies discussed in the text. Before participants begin the role play, have each person decide which type of policies he or she is going to present so that there is no duplication. Make sure participants cover all the types. The presentation should include only the highlights of each type of policy. Be sure to have them explain what type of information an underwriter would need to make a final coverage proposal. Each person should critique the other. Don’t let this run longer than 30 minutes total, including the needs determination from the prior exercise.

Case Study

Relates to Assignment Objective 6

Given the following case, describe how health insurance meets an insured’s financial security needs.

Ron and Melinda Johnson have called to ask you to meet them at their home to review their insurance program. Ron is 55, and Melinda is 53. Ron will be retiring soon, and he’s sure some changes to their health and disability coverage are in order. Melinda retired from her job as a school teacher several years ago and receives a pension. They are both in good health and have never had any serious illnesses. Their health insurance has been provided by Ron’s employer on a health maintenance organization (HMO) basis. When he is retired, however, he and Melinda will have to pay the cost of their health insurance on their own. They are willing to retain a substantial amount of loss but cannot afford to pay the expenses of a catastrophic illness, should one occur.

Have the class members role play or discuss in a group the way that they would explain to Ron and Melinda how their insurance needs might differ when Ron retires and the couple gets older. For example, what type of health insurance plan would make sense for them (e.g., HMO, preferred provider organization [PPO], etc.), what about Medicare supplement insurance when they qualify, how will their need for disability insurance change, and how will they provide for nursing home care if the need arises?