

JOURNAL OF RISK EDUCATION

Volume II, Number 1, 2020 & 2021

Table of Contents

Editor's Report	2
Call for Papers.....	3
Chuck, the Exterminator: A Teaching Case for Principles of Risk Management & Insurance.....	4
Using Films to Augment Learning In RMI Courses	23
Negotiation and Persuasive Presentations	45
Serving as a Testifying Expert Witness in a Breach of Contract/Bad Faith Case: A Retrospective Analysis of an illustrative Case.....	78
Life Insurance: An Introductory Assignment	87

Editors

Brenda Wells, Ph.D., CPCU, AAI, CRIS
East Carolina University

Associate Editors

Jill Bisco
Illinois State University

James Carson
University of Georgia

Kevin Gatzlaff
Ball State University

J. Tim Query
New Mexico State University

Editor's Report

I am pleased to bring to you the 2020/2021 Issue of *Journal of Risk Education (JRE)*. I want to apologize to the authors who have waited patiently for this publication. The reality is that, like most other peer-reviewed journals out there, we have a scarcity of suitable submissions. As a result it has taken two years to put together this one issue!

I am in search of some new associate editors to serve our journal. Our existing board is great, but their time is limited and it isn't fair to ask them to do multiple papers a year. So, if you are interested in serving as an associate editor, please write to me at editor@jofriskeducation.org.

Thanks to the reviewers and associate editors who worked so hard to achieve our goal of fast turnaround on the submissions we receive.

Please continue to send us your papers for consideration. If you have questions, don't hesitate to ask them.

Sincerely,



Brenda Wells, Ph.D., CPCU, AAI, CRIS

Editor
Robert F. Bird Distinguished Professor of Risk and Insurance
East Carolina University

Call for Papers

The *Journal of Risk Education (JRE)* requests submissions of articles and other materials for its 2022 and 2023 issues.

Submissions should be formatted as follows:

1. Please single space all text, and indent the first line of each paragraph.
2. Use footnotes (no endnotes).
3. Do not include any headers, footers or page numbers.
4. Use an 11 point font for all text. We prefer the font “Californian FB” if you have it. If not, please use the font of your choice, but please use only one font style throughout the paper (i.e., don’t mix different fonts together).
5. Include at the top of your paper the title in all bold print. Do NOT put author names in the file or in the file name. Capitalize the first letter of each word in the title.
6. Put all major section headings in all capital letters and bold print, centered in the middle of the page. Subheadings should be in bold print, aligned with the left margin of the page, and only the first letter of each word should be capitalized.
7. Do NOT use MS Word's section headings--headings and subheadings should be in plain text only.
8. Position all figures and tables exactly where they should appear in the text, rather than attaching them at the end of the document.
9. Title your bibliography section in all capital letters and in bold print, as REFERENCES.
10. Format all references to have a hanging indent, and single spaced. Leave one blank line space between each reference. Make certain references are alphabetized correctly.

To submit an article for consideration, please create an account on our website at www.jofriskeducation.org and follow our electronic submission process. All papers must be submitted using the website. We are unable to accept e-mail submissions.

For questions and more information, please contact:

Dr. Brenda Wells, CPCU, AAI, CRIS, Editor
East Carolina University
www.jofriskeducation.org
E-mail: editor@jofriskeducation.org

Chuck, the Exterminator: A Teaching Case for Principles of Risk Management & Insurance

Karen Epermanis, Ph.D.
The University of Alabama

And

David D. Wood, D.B.A., CPCU, CRM
Middle Tennessee State University

ABSTRACT

The spread of the COVID-19 virus forced many college courses to be offered in a virtual format, a format that will surely be more popular after the pandemic. This hypothetical case is designed to help engage students in Principles of Risk Management & Insurance classes taught in a virtual environment. The case is designed to facilitate discussion in the application of concepts typically presented in a Principles of Risk Management & Insurance course. The case can be used for courses taught in both synchronous and asynchronous formats. It focuses on personal risk management and personal lines insurance products. Each instructor can easily modify the case or expand it to suit the learning objectives he or she emphasizes.

INTRODUCTION

Only a few years ago, a survey of risk management and insurance professors found that less than a quarter of universities offered courses online (Ambrose, 2018). The coronavirus pandemic hastened the movement of Principles of Risk Management & Insurance courses online, and exacerbated the problem of engaging students in classroom discussion. Many instructors have been consumed with mastering technology and have struggled to engage students in the virtual environment. Students are also challenged with technological, study space, and timing constraints.

Leading faculty recognized with the Aspen Institute's *Ideas Worth Teaching* award agree that a shift toward online and remote learning will continue after the pandemic (How Will COVID-19 Change Business Education?, 2020). In spite of increased demand for online learning, students will not want to sacrifice the opportunity to develop relationships with faculty and other students. Universities must provide online learning in way that expands and compliments, but does not replace, student-teacher and student-student interactions (Schleicher, 2020). A recent McKinsey report considers the changes facing colleges and universities. Among other challenges, the report states that online learning is here to stay, and universities must find an optimal blend of online and in-person learning (Dua, Law, Rounsaville, & Viswanath, 2020).

Extensive research indicates that students learn more when they are actively engaged versus a passive lecture environment (Deslauriers, McCarty, Miller, Callaghan, & Kestin, 2019). Most of that research appears to be based on the traditional classroom environment. The importance of engaging students is even more crucial in a virtual environment. "Zoom fatigue" is a common buzzword and

universities are increasingly concerned with students' mental health, in part, due to a lack of social interaction they would normally experience in the classroom.

Students are frustrated and find online learning "like watching YouTube videos all day." (Levy, 2020) A new approach to motivating and stimulating student learning is needed as opposed to classroom lectures simply converted to online lectures when forced into the virtual environment. A good online course will address various learning styles and create opportunities for student engagement (Murphy & Weber).

Case studies are used in many upper-level and capstone courses. The importance of students playing an active role in their learning is well-known, and case studies are an excellent tool to accomplish this when students have a base of knowledge from which to work. However, in a Principles course, developing that base knowledge typically involves lectures and classroom question/answer sessions. Frequently, a professor can tell by the look on a student's face whether they have a question or comment. This is much harder, if not impossible, in a virtual environment.

The authors propose the following teaching case as a tool to facilitate active learning on the part of Principles of Risk Management & Insurance students taking the course in a virtual environment. The case is designed to accommodate material traditionally taught in that course. It is designed to be used in both asynchronous and synchronous courses; as a discussion tool in the first, in the latter as discussion topics in break-out rooms.

The case provides fictional declaration pages that are consistent in appearance and type of information shown on the declaration pages of traditional insurers. Although realistic, the dec pages provide many teaching opportunities, from an inappropriate email address to inadequate limits. Policy forms from the Insurance Services Office (ISO) Personal Auto Policy and Homeowners-3 form are incorporated by reference on the declarations pages. Those forms can be accessed through IRMI online, which is available to students at a minimal cost and is free to Gamma Iota Sigma members.

The fictional Online Insurance Company provides opportunities for discussion regarding the various marketing channels that insurance carriers use, the value of local agents, and the importance of doing business with reputable insurers. The case is not designed to promote or detract from direct response or internet marketing but to generate interest and discussion about insurer practices.

The case scenarios are designed to follow the typical outline of a Principles of Risk Management and Insurance course. The case can be rearranged easily to fit the needs of a particular professor. The case begins with a young family obviously overextending themselves financially. While personal finance is not the theme of the case, the introduction of family income and expenses would be an easy modification if personal finance is a topic of interest.

The case is designed to supplement instruction of the following topics:

- Risk
- Risk Management
- Insurance Concepts
- Insurance Contracts
- Property & Liability Exposures
- Personal Auto Insurance

- Homeowners Insurance
- Life Insurance
- Health & Disability Insurance
- Insurance Company Operations and Regulation

The instructor will recognize numerous prompts for discussion of insurance issues embedded in, and in addition to, the outline above. Discussion questions are suggested in the case study and instructors should take advantage of opportunities to modify the case and/or expand upon the discussion topics.

While emphasis is on personal lines coverages, an instructor can easily expand into commercial coverages by hypothesizing that Chuck's business grows to include more employees (workers compensation), more vehicles (commercial auto), machinery (inland marine) in addition to the professional liability exposure already alluded to in the case.

Risk Management education should be fun, so reference is made to a humorous State Farm commercial and students are encouraged to explore "conspiracy theories" of what may have actually happened to Cheryl's she shed. There are also several links to web addresses that need to be double checked before making assignments to students.

Chuck, the Exterminator
Case Study
Principles of Risk Management & Insurance

Chuck was 22 years old when he married Lucy. They had just graduated from State University, and Chuck had accepted a job with R.I.P., a national pest extermination company. Lucy worked for her uncle's restaurant chain as a server and made more in salary and tips than Chuck's salary. Both had promising futures and management potential in their respective jobs. Three years into the marriage, Charles, Jr. (Junior) was born. After a short maternity leave, Lucy went back to work. They borrowed to purchase a new Audi Q7 because Lucy saw an article ranking it the best car for new moms.

Chuck, Lucy and Junior settled into a small home that they were able to purchase, given their combined incomes and Lucy's father co-signing their loan. Chuck served as a volunteer fireman in the small community and in that capacity acted as an emergency medical technician (EMT) on frequent calls. Chuck and Lucy both loved watersports and quickly indoctrinated Junior with weekend trips to the lake. They felt they could afford a motorboat given that Chuck was provided a company truck.

Discussion Questions:

Primary post: What is this family's most significant exposure to loss? Explain why you chose this exposure.

Response to others: Describe an appropriate risk management technique other than insurance for handling the exposure your classmate identified. Be specific and descriptive.

Primary post: Describe one hazard that you can imagine in Chuck and Lucy's situation?

Response to others: Explain a peril or perils that would be more likely or severe because of the hazard your classmate described.

Tragically, Lucy passed away when Junior was six years old. Chuck had to sell the house, the boat and the Audi. Chuck sold the house to Lucy's father, who allowed Chuck and Junior to stay there and pay rent.

When Junior was ten years old, Smith Construction Company built an Amazon warehouse adjacent to Chuck's neighborhood. During construction, the company routinely left construction equipment at the building site overnight and on weekends. Late one night, Junior sneaked out of the house and played on some of Smith's construction equipment. Junior accidentally released the brakes of a tractor on which he was playing; the tractor rolled down a hill and smashed into the building under construction. Junior was severely injured in the accident. Chuck sued both Smith Construction and Amazon for the injury.

Discussion Questions:

Primary post: Explain where you think Smith Construction's risk management process may have broken down in this situation. Be specific and refer to the material presented in this class.

Response to others: Expand upon one of your classmate's discussion posts with a thoughtful confirmation or contradiction of the points they made. Include an explanation of where you think Smith Construction did not correctly utilize the risk management process.

Additional Discussion Questions (for Liability unit):

Primary post: Describe how this situation does or does not meet each of the 4 elements of negligence for Smith Construction to be held liable.

Response to others: Expand upon one of your classmate's discussion posts with a thoughtful confirmation or contradiction of the points they made. Include an explanation of the standard of care that you think Smith owed in this situation.

Remembering the financial stress that he experienced after Lucy's death, Chuck is concerned about being properly insured. He knows that there are many different types of insurers and various distribution channels for both P/C and L/H insurance. He is anxious about the following loss exposures: 1) pre-mature death, 2) disability because of an accident or sickness, 3) unemployment, 4) damage to his personal property due to perils like fire, lightning, theft, etc., 5) damage to his car, 6) liability to others, 7) inflation in rent and other costs of living that outpace his income, 8) loss of investments that he has saved for retirement, 9) medical expenses for Junior and himself, 10) someone hacking into his online banking account and transferring out his savings, 11) inability to use the equipment provided by his employer because of improper maintenance and 12) damage to his and Junior's reputations because Chuck tends to drink too much while posting on social media.

Primary post: Select the numbered loss exposure that corresponds with your birth month and fully describe your perception of, and any assumptions you make, regarding that loss exposure. Identify and explain one of the characteristics of an ideally insurable risk (per your instructional materials) and explain how your loss exposure does or does not meet that characteristic.

Response to others: Expand upon one of your classmate's discussion posts with a thoughtful confirmation or contradiction of the points they made. Identify and explain another of the characteristics of an ideally insurable risk (per your instructional materials) and explain how your classmate's loss exposure does or does not meet that characteristic.

Primary post: Regarding Chuck's loss exposures that are ideally insurable, what market channel would you advise Chuck to explore for buying insurance. Do you recommend that he go through an agent? Fully explain your reasoning.

Response to others: Expand upon one of your classmate's discussion posts with a thoughtful confirmation or contradiction of the points they made.

Fast forward several years later - Chuck met Sally, a bank executive with a stressful, high-paying job. Chuck and Sally got married; he and Junior moved into her home. Sally's house is near the university campus. Sally has a daughter from her first marriage, Susie, who is 4 years younger than Junior. Susie and Junior get along for the most part, but Sally is worried that Junior and his friends may be a bad influence for Susie.

Junior recently got his driver's license; Chuck and Sally bought him a 3-year old Ford F-150 pickup truck (XL 2D) with 60,000 miles on it. In exchange, Junior is expected to take Susie to school and after-school activities. Chuck has done well with R.I.P. company and, even though he is in management, they still provide him with a company vehicle. Sally purchased a brand new, current year model BMW X5 just three months ago; she financed it over 5 years, has made 3 of the 60 payments, and has driven it 5,000 miles.

Discussion Questions:

Primary post: Review the Declarations page of the Personal Auto Policy. Based on what you've learned in class lectures, what is one concern that you have? Describe a particular scenario of loss that illustrates that concern.

Response to others: Choose one classmate's post and describe how the PAP should be modified to address the concern described by your classmate.

Primary post: Go to an auto valuation website (i.e. KBB.com) and determine what Susie's BMW cost new. Then find its value (actual cash value) after 3 months and 5,000 miles? How much has Susie's BMW depreciated in 3 months? Explain any assumptions you made in arriving at the estimated values.

Response to others: Go to Bankrate.com and use their auto loan calculator to determine Sally's monthly payment. Use six percent minus your freshman year grade point (i.e. $6 - 2.75 = 3.25\%$) as the interest rate. Check the amortization schedule to see how much Sally owes after 3 payments. Post a response to a classmate discussing the difference between what they estimated as the car's value and the loan balance you calculated. What happens if the car is totaled?

Sally's house has room for Chuck and Junior. They hope to buy a house together someday, but they will live in Sally's home for now. The dimensions of her house are as follows:

- Main floor living area: 2,000 square feet with the master bedroom, custom master bath and a ½ bath on the main floor. The master bath has a large tub, separate 20 sf shower and double vanity sinks.
- Main floor ceiling height = 8 feet
- Main floor is slab on grade. There is no basement.
- Covered porch area (no usable area underneath) = 20 square feet
- Uncovered deck area = 600 square feet
- Roof slope = 9:12
- Structure class = 2
- Two-car garage: 500 square feet with 9-foot ceilings and one garage door.
- There is no loft, but there is a second floor with 2 bedrooms and one full bath (grade 3). The second floor has 8-foot ceilings and totals 1,000 square feet.
- She has one, size 3 kitchen with grade 3 cabinets, and granite countertops.
- The main siding type is brick, and there is no secondary siding.
- The interior trim is grade 3 and the flooring is grade 4.
- There is no need for a septic system or propane, but there is a vented natural gas fireplace.

Because of her high-stress job, Sally enjoys as much downtime as she can get on the weekends in her "she shed." Sally's she shed is a separate building in her back yard. She got the idea of building a she shed from her friend Cheryl. Cheryl had invited Sally to spend time in Cheryl's she shed prior to Sally getting her own. Unfortunately, one morning Cheryl and her husband, Victor, awoke to find Cheryl's she shed on fire. Sally has invited Cheryl over to comfort her and figure out what really happened to Cheryl's she shed.

Discussion Questions:

Primary post: Go to this site: <https://costtobuild.net/> and enter the information above to calculate the cost to build Sally's house today. What value did you get? State the assumptions, if any, that you were required to make because the information is not included above. Does the attached HO policy adequately insure Sally? Explain why or why not.

Response to others: Assume that Sally's house is the same age as your mother's oldest child (that may be you). If the house has a useful life of 75 years, what is the percentage depreciation that should be deducted? Using your classmate's cost estimate, show the actual cash value calculation of Sally's house under this scenario. If you had to make any assumptions, describe them. Explain why you think your classmate is correct or not in determining if Sally is adequately insured.

Primary post: Research what really happened to Cheryl's she shed. Explain the hypothesis that you find most compelling.

Response to others: Respond to the cause that a classmate found for the demise of Cheryl's she shed, explaining whether the HO would pay for this loss.

Another year has passed, and Chuck started his own extermination company. He is doing business as "dba Chuck, the Exterminator." He is a sole proprietor, currently operates out of the home, and is having great success. Chuck purchased a new Ford F-350 Super Duty truck with a gross vehicle weight rating of 14,000 lbs. He needs such a big and powerful truck because of the equipment he uses to fumigate buildings. He is periodically called to trap wild animals that he relocates to remote areas requiring four-wheel drive. Chuck has made a significant investment in chemicals and equipment that he keeps in the family garage. He has instructed Junior and Susie to stay away.

ChuckExterminator.com is the business' website where Chuck advertises his services, seasonal specials, and blogs mostly about pest control. He wants to draw traffic to his site, so periodically, he blogs about local happenings and posts/re-posts anything he thinks might cause interest. He knows people like to see pictures of their kids, so he encourages Junior and Susie to contribute from their social media. The website also enables customers to schedule appointments and make payments by credit card or electronic funds transfer.

Chuck recently contracted to provide regular pest control services for a grocery warehouse. The contract contains a significant financial penalty if Chuck misses a scheduled application or if there is food contamination due to pests. He is concerned about the financial penalty, but feels the revenue is worth the risk, plus he assumes his insurance would cover the penalty. The grocer requires that Chuck have high limits of auto insurance; they do not want to be responsible if he has a wreck. Chuck has two employees and is considering adding two more given the growth he is experiencing.

Speaking of insurance, now that Chuck is self-employed, he realizes that he should probably contact an insurance professional to review his needs. Up to this point, he and Sally have purchased home and auto coverage through the internet. Chuck got what he calls a "bounce back" when he tried to add his F350 to the policy, but hasn't had time to explore it and since Sally was able to help pay for the truck without them taking out a loan, the bank hasn't bothered him about it. He has been able to put off

the grocery wholesaler who is asking for a certificate of insurance, but knows he needs to take care of that.

R.I.P., the national pest control company that Chuck worked for previously, had excellent health insurance and retirement benefits. He was able to cash out and borrow significantly against his retirement to fund the chemicals, equipment and other start-up costs.

Discussion Questions:

Primary post: Regarding Chuck's venture, what is one exposure that he needs to address that is not typically handled through insurance? Describe a particular scenario of loss that could result from that exposure.

Response to others: Describe an appropriate risk management technique other than insurance for handling the exposure your classmate identified. Be specific and descriptive.

Primary post: Describe one loss exposure faced by Chuck's business that meets the characteristics of a typically insurable loss. What is the value subject to loss? What is one peril that might cause the loss? What are the financial consequences of this loss?

Response to others: Describe whether Chuck and Sally's PAP or HO policy would respond to the loss scenario that your classmate described. If it is covered, explain which policy and section applies. If it is not covered, identify an exclusion or policy limitation that prevents coverage.

Chuck, the Exterminator, has progressed to the point that Chuck brings home about the same salary that Sally makes with the bank. Together, their incomes put them in the upper middle class. Sally and Chuck work hard and when they get home they frequently just want to watch the latest reality show on TV. One night, Chuck remarked to Sally, "look at how many commercials are from those ambulance-chasing attorneys at Dewey, Cheatem and Howe." Sally replied that she sees several billboards on the way to work featuring similar law firms claiming to make you rich if you've been injured. This discussion caused them to realize that they will probably be sued if they or one of their children are involved in an accident. Sally remembered that her agent had recommended a personal umbrella policy, but at the time she was single making much less money and did not see the need for it.

Discussion Questions:

Primary post: Explain the changes in their present coverages needed if Sally and Chuck want to take out a personal umbrella policy?

Response to others: Respond to one of you classmates confirming or revising the changes they suggest, and explain why Chuck and Sally may need an umbrella policy now that their situations have changed from several years ago.

Sally and Chuck are equal breadwinners, and both contribute equally to caring for the home and rearing Junior and Susie. Sally has grown to love Junior and considers him to be her own. She no longer worries about him being a bad influence; however, she is still wary of some of his friends. Junior is bright and has done okay in school. He is interested and talented in working with all things mechanical. He's not sure whether he wants to study engineering in college or go to trade school. Susie has done exceptionally well in school and is on track to be valedictorian of her class. She is definitely planning for college and thinks she may want to go to an Ivy League school.

Chuck and Sally realize that if either were to die, the family would not be able to maintain the same standard of living. They want Susie and Junior to be able to realize their educational goals. They also hope for a comfortable retirement. They realize that they need life insurance but have not taken the time to research their options.

Specific income amounts are not given at this time. Students are to focus on the needs of persons with middle- to upper middle-class standard of living.

Discussion Questions:

Primary post: Explain what sources of income can be drawn upon by Chuck or Sally (as well as typical families) if one of them were to die.

Response to others: Confirm or expand upon one of your classmates' post, and identify what expenses might be incurred if one of them were to die.

Primary post: Use the Needs Approach to recommend an amount of life insurance for Sally and/or Chuck (same amount). Explain how you came up with your recommendation (state your assumptions). Itemize the amounts used to come up with your total and explain how you arrived at each amount.

Response to others: Evaluate one of your classmate's recommendations. Do you agree or disagree their recommended amount? Based on the amount needed, is term the only option? Is permanent coverage needed?

Because of an economic downturn, Sally lost her job with the bank. She has been able to find work for an accountant part-time. Chuck and the children have been on Sally's health insurance plan through the bank since he became a self-employed exterminator. Coverage for the family under the bank's plan ends soon, and they are not enrolled in health coverage or eligible for coverage with Sally's current employer. Sally has type 2 diabetes and the costs will quickly become unbearable if they don't have health insurance. Sally (age 38) and Chuck (42 years old) claim Junior (age 17) and Susie (age 13) as tax dependents. Chuck and Sally's household income has dropped dramatically to \$80,000 this year. Neither Sally nor Chuck use tobacco and they forbid their children from using it.

Discussion Questions:

Go here: <https://www.healthcare.gov/>

Get Coverage (do not enter your email address)
Select Your State = _____ (do not click APPLY)
\$ See Plans & Prices [Preview Now]
Enter your ZIP code
Tell us about you & your household Start > Now, Answer the questions as if you are Chuck (do not skip).

Compare a Bronze plan with a Gold plan.

Primary post: Describe the plan would you recommend for Sally and Chuck. Explain why you make this recommendation. Include the following:

Plan medal level (Bronze or Gold)? _____
Estimated monthly premium? \$ _____
Individual Deductible? \$ _____
Family Deductible? \$ _____
Out of Pocket maximum (Family Total)? \$ _____
Estimated total yearly cost? \$ _____

Response to others: Evaluate one of your classmate's recommendations. Do you agree or disagree with whether this is the best plan for the family? Why do you think you gave the same or a different recommendation?

In Chuck's work, he is regularly exposed to hazardous insecticides and other chemicals. He also crawls under houses and into attics. Occasionally, he goes onto rooftops to access chimneys, gutters and other parts of houses that have been invaded by pests. One time he was asked to rid a home of snakes that had nested behind the air-conditioning unit of a home. Normally, he wouldn't take that type of job, but it had been a slow month and the homeowner said that he didn't think the snakes were poisonous. All that said, the most dangerous thing that Chuck does is the same as most of us: driving to and from work and job sites. He works a three-county area and frequently spends his driving time checking messages and returning phone calls.

Chuck is very happy with the health insurance plan that you've recommended and has peace of mind knowing that his family's hospital bills can be managed now that they have health insurance. However, since he is self-employed, Chuck really doesn't have any sick leave. If he misses the opportunity to take on a job, his family will not have the same level of income as before. Chuck wonders about his exposure to loss of income due to prolonged sickness or injury and being out of work.

Discussion Questions:

Primary post: Describe the four types of disability that Chuck could face if injured. Which do you think is mostly likely, and which would be most severe for Chuck?

Response to others: Evaluate one of your classmate's post. Do you agree or disagree their description and assessment? What recommendation do you have to 1) control for the risk of this exposure, and 2) to finance the loss of income if the more severe type of disability were to occur?

Consider how Chuck's situation has changed during this class. Insurance is obviously an important tool in managing the risk that Chuck and his family face. Look back over the previous discussions regarding Chuck and consider what we are learning about the insurance industry. As you know, Sally made the decision to purchase auto and homeowners coverage from the Online Insurance Company. If you were able to research the Online Insurance Company, you would find that they are rated "A" by the A.M. Best Company. Their life and health insurers are also reputable companies. Actuaries, underwriters, loss control and claims professionals have made decisions that affect coverage for Sally and Chuck. Online Insurance is not willing to provide coverage for Chuck's exterminator business and he is yet to provide a certificate of insurance to his clients.

Discussion Questions:

Primary post: What factors would impact the rates that Online Insurance charges for Sally's auto and homeowners coverages?

Response to others: Respond to one of your classmates' posts. What underwriting considerations should an Online Insurance underwriter make (in addition to rating factors) before accepting Sally's auto and homeowners exposures?

Primary post: Search the Internet and find a source of coverage for Chuck's exterminator business. Post the link and describe the entity advertising coverage (agent, MGA, insurance company, etc.)? Can you tell whether coverage would be offered by an admitted or non-admitted company?

Response to others: Respond to one of your classmates' posts discussing whether they are accessing the surplus lines market. What impact does insurance regulation have in Sally and Chuck's situations?

Insurance policy declaration pages follow.



Personal Auto Policy Declarations

Named Insured and Mailing Address

SALLY JONES
 123 COLLEGE LANE
 ANYWHERE, XL 65432-9999
 drunkgirl@cyberspace.net

Your Insurer:

ONLINE AUTO INSURANCE COMPANY
 a subsidiary of The Online Insurance Group
 One Online Drive, Cyber, SP 00999
 www.onlineins.com

Policy Information

Your Policy Number 600789 123 9
Your Account Number 123456789SJ

For Policy Service www.OnlineIns.com/service
For Claim Service For questions on filing a claim
 go to OnlineInsurance4u.com

For Roadside Assistance 1.800.252.463

Total Premium for the policy period

The policy period is from January 1, 20X0 at 12:01 A.M. STANDARD TIME to January 1, 20X1 at 12:01 A.M. STANDARD TIME at the residence premises.

Your Vehicles	Identification Numbers (VIN)	Premium
1. BMW X5	WBADE6321W5034024	\$2,352
2. FORD F-150 XL 2D	1FTLP62W4XH128703	\$1,475

Total Premium for this Policy: **\$3,827.00**

This is not a bill. You will be billed separately.

Insurance is provided only where a premium entry is shown for the coverage. The premium entry "Incl" or "Pkg" means the premium charge is included in the premium for another coverage or a package

Loss Payee

True Blue Bank & Trust
 456 Main Street
 Bankersville, XL 54321

Named Insured SALLY JONES
 Policy Number **600789 123 9**
 Policy Period January 1, 20X0 to January 1, 20X1



Coverages, Limits of Liability and Premiums

	VEHICLE 1 BMW X5	VEHICLE 2 FORD F150
Part A Liability		
Bodily Injury		
\$25,000 each person		
\$50,000 each accident	\$218	\$218
Property Damage		
\$15,000 each accident	\$205	\$205
Part B – Medical Payments		
\$500 each person	\$18	\$18
Part C Uninsured Motorists		
Bodily Injury		
\$25,000 each person		
\$50,000 each accident	\$190	\$218
Property Damage		
\$15,000 each accident	\$54	\$26
Part D – Coverage for Damage to Your Auto		
Collision		
Actual Cash Value less		
\$250 deductible	\$865	\$442
Comprehensive		
Actual Cash Value less		
\$100 deductible	\$802	\$348

Please review your policy for Special Limits of Liability and Additional Coverages that may apply.

Information Used to Rate Your Policy

Discounts

- Safe Driver Discount
- 5 Years Accident and Violation Free Multi-Policy Discount
- Multi-Car Discount Paid in Full Discount Good Payer Discount
- Continuous Insurance Discount Early Quote Discount

Drivers	Date of Birth	Gender	Marital Status	Driver Type
1. SALLY	12-17-19XX	Female	Married	Licensed
2. CHARLES	06-09-19XX	Male	Married	Licensed
3. CHARLES, JR	06-05-20XX	Male	Single	Licensed

PAP-12345 SM (08-19)

Insured Copy

Page D-2

This is not a valid insurance policy and is for educational purposes only

Named Insured SALLY JONES
Policy Number **600789 123 9**
Policy Period January 1, 20X0 to January 1, 20X1



Personal Auto Policy

Vehicles	Use of Vehicle	Mileage	Location of Vehicle
1. BMW X5	Commuter	5,060	ANYWHERE, XL
2. FORD F-150 XL 2D	Commuter	60,163	ANYWHERE, XL

If any of the information above is incorrect or has changed, please notify Online Insurance immediately.

It is important that the information we used to rate your policy is correct. It is your responsibility to make sure that the information on these Declarations is accurate and complete, including checking that you are receiving all the discounts for which you are eligible. To see a full list of discounts offered, including discounts for having multiple policies with us or being a good driver, go to www.onlineins.com/discounts. If any of the information on the Declarations has changed, appears incorrect, or is missing, please contact Online Insurance immediately. You do not have an agent to call; it's all online.

**Required Forms and Endorsements Included in Your Policy:
PERSONAL AUTO PP 00 01 09 18**

This is not a valid insurance policy and is for educational purposes only



Homeowners Policy Declarations

Named Insured and Mailing Address

SALLY JONES
123 COLLEGE LANE
ANYWHERE, XL 65432-9999
drunkgirl@cyberspace.net

Residence Premises

123 COLLEGE LANE
ANYWHERE, XL 65432-9999

Mortgagee Name and Address

FEDERAL SAVINGS AND LOAN
PO BOX 123
SAVINGSTOWN, XL 65431

Your Insurer:

ONLINE PERSONAL INSURANCE COMPANY
subsidiary of The Online Insurance Group
One Online Drive, Cyber, SP 00999
www.onlineins.com

LOAN NUMBER: 000721022505

Policy Information

Your Policy Number **456789 123 9**
Your Account Number **123456789SJ**

For Policy Service 1.800.222.3333
For Claim Service 1.800.222.4444

The policy period is from January 1, 20X0 at 12:01 A.M. STANDARD TIME to January 1, 20X1 at 12:01 A.M. STANDARD TIME at the residence premises.

Total Premium for this Policy: \$1,302.00

This is not a bill. You will be billed separately.

Discounts

The following discounts reduced your premium:

Multi-Policy	Early Quote	Loss Free
Good Payer	Fire Protective Device	Theft Protective Device

Savings Reflected in Your Total Premium: \$408.00

Coverages and Limits of Liability

Property Coverage Section

	<u>Limit</u>
Coverage A – Dwelling	\$300,000
Coverage B - Other Structures	\$ 30,000
Coverage C - Personal Property	\$150,000
Coverage D - Loss of Use	\$ 90,000

HO-12345 XL (05-19)

Insured Copy

Page D-1

This is not a valid insurance policy and is for educational purposes only

Named Insured SALLY JONES
 Policy Number 456789 123 9
 Policy Period January 1, 20X0 to January 1, 20X1
 Homeowners Policy



Liability Coverage Section	<u>Limit</u>
Coverage E - Personal Liability	
- Bodily Injury and Property Damage (each occurrence)	\$100,000
Coverage F - Medical Payments to Others (each person)	\$ 5,000

Deductibles	
Peril Deductible	<u>Deductible</u>
Property Coverage Deductible (All Perils)	\$ 1,000

In case of loss under the Property Coverage Section, only that part of the loss over the applicable deductible will be paid (up to the coverage limit that applies).

Special Limits and Additional Coverages
Coverage Level: Online Protect Premier

The limit shown for each of the Special Limits of Liability and Additional Coverages is the total limit for each loss in that category.

Personal Property- Special Limits of Liability	Limit
a. Money. bank notes. coins. stored value cards	\$ 200
b. Securities, accounts, passports, tickets, stamps	\$ 1,500
c. Watercraft including trailers and motors	\$ 1,500
d. Trailers or semi-trailers not used with watercraft	\$ 1,500
e. Theft of jewelry, watches, furs, precious stones	\$ 1,500
f. Theft of firearms and related equipment	\$ 2,500
g. Theft of silverware. goldware, pewterware	\$ 2,500
h. Business property on the residence premises	\$ 2,500
i. Business property away from the residence premises	\$ 500
j. Electronic apparatus while in or upon a motor vehicle	\$ 1,500
k. Electronic apparatus used for business and not in or upon a motor vehicle	\$ 1,500

The Special Limits of Liability do not increase your Coverage C - Personal Property Limit.

HO-12345 XL (05-19)

Insured Copy

Page D-2

This is not a valid insurance policy and is for educational purposes only

Named Insured SALLY JONES
 Policy Number 456789 123 9
 Policy Period January 1, 20X0 to January 1, 20X1
 Homeowners Policy



Property- Additional Coverages	Limit
Debris Removal (Additional % of damaged covered property limit)	5%
Tree Removal	Per Tree \$500; Per Loss \$1,000
Trees, Shrubs and Other Plants for specified perils	Per plant \$500; Per Loss 5% of Cov. A
Fire Department Service Charge	\$ 500
Credit Card, Fund Transfer, Forgery and Counterfeit Money	\$ 500
Loss Assessment	\$1,000
Ordinance or Law	10% of Cov. A
Grave Markers	\$5,000

The applicable policy deductible applies unless otherwise noted in the policy.

Liability- Additional Coverages	Limit
Damage to Property of Others	\$1,000
Loss Assessment	\$1,000

Please review your policy for other Personal Property Special Limits of Liability and Additional Coverages that may apply.

**Required Forms and Endorsements Included in Your Policy:
 HOMEOWNERS HO 00 03 10 00**

This is not a valid insurance policy and is for educational purposes only

REFERENCES

- Ambrose, J. (2018). Online Education in Risk Management and Insurance. *Journal of Risk Education*, 30-47.
- Deslauriers, L., McCarty, L. S., Miller, K., Callaghan, K., & Kestin, G. (2019). Measuring actual learning versus feeling of learning in response to being actively engaged in the classroom. *Proceedings of the National Academy of Sciences*, 19251-19257.
- Dua, A., Law, J., Rounsaville, T., & Viswanath, N. (2020, October 26). *Reimagining higher education in the United States*. Retrieved from McKinsey & Company: <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/reimagining-higher-education-in-the-united-states#>
- How Will COVID-19 Change Business Education?* (2020, April 15). Retrieved from Aspen Institute: <https://www.aspeninstitute.org/blog-posts/how-will-covid-19-change-business-education/>
- Levy, D. (2020). *Teaching Effectively with Zoom*. Cambridge, MA: Dan Levy.
- Murphy, H., & Weber, C. (n.d.). *Seven Essential Elements for Creating an Online Course*. Retrieved from Elsevier Education: <https://evolve.elsevier.com/education/expertise/remote-learning/seven-essential-elements-for-creating-an-online-course>
- Schleicher, A. (2020). *THE IMPACT OF COVID-19 ON EDUCATION Insights From Education at a Glance*. Retrieved from <https://www.oecd.org/education/the-impact-of-covid-19-on-education-insights-education-at-a-glance-2020.pdf>

Using Films to Augment Learning In RMI Courses

Manoj Athavale
Ball State University

Stephen Avila
Ball State University

Joseph Goebel
Ball State University

ABSTRACT

This article provides information about 29 films which have content related to risk management and insurance and which can be used in some combination to reinforce relevant risk management and insurance concepts, complement traditional methods of teaching, and enhance the student learning experience. The use of such material may facilitate a greater understanding of abstract concepts as they manifest in believable real-world settings.

INTRODUCTION

Visual communication is an important component of effective learning. Visual stimuli are quickly and easily recognized and are more effective than audible stimuli in helping individuals to accomplish paired-associate learning (Deno, 1968; Jenkins, 1968; Jenkins, Neale & Deno, 1967; Paivio & Yarmey, 1966), and films with an ordered sequence of episodes containing exposition, complication, and resolution components are superior to text in enhancing recall (Baggett, 1979). Films may be more evocative than word or text stimuli because the producer can frame, edit, focus, sequence, and redo scenes with various angles, sounds and special effects, thus providing a heightened experience for the viewer (Arnheim, 1957; Bazin, 1967; Bordwell, 1996; Carroll, 1985; Champoux 1999; Dancyger, 1997; Jurkiewicz, 1990; Levinson, 1996; Smith, 1996; Weis & Belton, 1985; Worth 1966, 1968, 1969). Students improve thinking, analysis, and recall when a visual scene evokes an emotional response beyond what is normally experienced (Anderson, 1992; Bluestone, 2000; Fleming, Piedmont, & Hiam, 1990; Gregg, Hosley, Weng, & Montemayor, 1995; Higgins & Dermer, 2001; Scherer & Baker, 1999). Films can therefore be useful to augment instruction and learning across business disciplines, providing “observational learning” and enhancing the educational experience for students (Giola & Brass; 1985).

The use of films to reinforce business-related content is not new. Examples which have been presented in the literature include *Wall Street* (Belden, 1992; Dyl, 1991) for trading on insider information, *Enron: The Smartest Guys in the Room* (Cox, Friedman & Edwards; 2009; Hatfield & Buchko; 2008) for business practices, *Barbarians at the Gate* (Kester, 2013; Nofsinger, 1995; Peterson & Philbot, 1997) for mergers and acquisitions, and *Other People's Money* (Chan, Weber, & Johnson, 1995; Graham & Kocher; 1995) for business valuation and the shareholder-stakeholder discussion, *Age of Innocence* (Ross; 1996) for escalation theory, *Iron Jawed Angels* (Scott & Weeks; 2016) for authentic leadership, *The Insider* (van Es; 2003) for ethical breaches in organizational behavior, *Glengarry Glen Ross* and *House of Games* (Berger & Pratt; 1998) for mass communication and public relations, *Outsourced* (Briam; 2010) for intercultural communication, and *Dead Poets Society* (Serey; 1992) for organizational behavior.

While this approach presents business-related topics contained within a single film, a slightly different approach presents a collection of films and identifies common threads across these films. This allows instructors to present information related to a concept or learning objective from multiple perspectives by using clips from multiple films. Examples of this approach to using media in the classroom include Bay and Felton (2012) who use nine different films exploring topics related to corporate governance, internal control, and ethics, Goebel, Athavale, and Weber (2016) who use twenty-six films focusing on corporate finance, financial markets, agency theory, and social responsibility, Goebel and Athavale (2016) who use twenty-three films to focus on twelve types of ethical breaches. The films that have generally been included to supplement and reinforce classroom learning include documentaries and commercial films, fictional or dramatizations of real events, Marshall (2003) who uses seven films as teaching tool for ethics, Clemens & Hamakawa (2010) who use thirteen films to discuss sustainability, and Smith (2009) who use fifty-four films to discuss organizational behavior.

The literature listed above is but a small representation of the many ways in which film media can be used to supplement or complement traditional learning of virtually any business concept. While there are a considerable number of additional topics from other disciplines that have been considered in the literature, there is limited research on how films can be used within the area of risk management and insurance. The one exception is Pendo (2004), who uses three films – *Critical Care*, *The Rainmaker*, and *John Q.* – to examine practices in the private health insurance system from the perspective of a doctor, a lawyer, and a patient, focusing on the loss of adequate health coverage for workers and their families, the link between lack of coverage and lack of care, the influence of reimbursement arrangements on physicians' decision making, and the lack of adequate legal remedies for consumers.

The purpose of this paper is to provide a fairly comprehensive list of twenty-nine films that address various insurance-related topics that instructors can use to help students understand these topics in a more impactful manner. We first provide a brief outline of the film explaining how insurance factors into the plot of the film. For each film, we then provide specific questions which can be used to initiate discussion of insurance-related topics. For each question, we also provide the approximate time location of the content. Instructors can, of course, amend or build upon these questions to address their specific learning objectives for their course. Finally, we present a table which lists all twenty-nine films identifying the specific concepts that are covered in each film. This will allow instructors to control the manner in which film content can improve learning, either by selecting a single film and discussing various business/insurance concepts from that film, or by selecting a single concept and discussing that concept using sections of various films.

THE FILMS

1. *Lloyd's of London (1936)*

Set in 1770, two boys named Jonathan Blake and Horatio Nelson overhear a plot to scuttle a ship after transferring valuable cargo to another. Nelson collects a reward for reporting and preventing the fraud and is allowed to work at Lloyd's where he learns about the business works. Blake invents a system of transmitting messages across the English Channel quickly and grows his insurance syndicate. However, as the war with France continues, England's merchant fleet suffers, and Lloyd's practically goes bankrupt. Lloyd's proposes raising insurance rates on merchant ships to reflect the level of risk, and naval escorts for merchant ships. However, Blake argues that reducing the number of ships that Nelson commands will reduce the likelihood of winning the war and commits to keeping insurance rates low

even if merchant ships do not have naval escort. Blake's syndicate suffers, but his strategies allow commerce to continue for a period long enough for Nelson to obtain victory at Trafalgar.

Interval	Questions
1 9:35-10:20	Describe the planned fraud of the Maggie-O.
2 9:35-10:20	What is insurance fraud? Why would someone be interested in scuttling the Maggie-O?
3 18:07-19:10, 19:45-21:25, 22:50-24:30	What are syndicates and how are they used to insure cargo transported on ships in this movie?
4 24:30-28:20	What was Blake doing? Is this wrong? Why or why not? What does this resemble relating to today's financial markets?
5 1:20:50-1:26:25	Is it important that every claim be paid? Why or why not?
6 1:20:50-1:26:25	Should insurance rates that are paid by shipowners be directly connected to the risks involved of insuring? Was Blake's decision to insure ships at the historic rate wise?
7 1:37:20-1:39:15, 1:40:15-1:44:50	Was Jonathon justified in sending false information to calm the insurance markets and rates? Why or why not?
8 1:45:20-1:48:50	Did Jonathon commit treason?
9 1:45:20-1:48:50	Did Mr. Angerstein commit fraud by not choosing to expose Blake to the syndicates?

2. *Double Indemnity (1944)*

Insurance agent Walter Neff conspires with Phyllis Dietrichson to plan her husband's murder and obtain insurance coverage with double indemnity. Claims adjuster Barton Keyes suspects foul play in Mr. Dietrichson's accidental death and investigates. Neff learns that Mr. Dietrichson's former wife died while Phyllis was her nurse, and Mr. Dietrichson's daughter Lola suspects that Phyllis is responsible for both of her parents' deaths.

Interval	Questions
1 5:00-7:00	What is double indemnity? Are there conditions under which the insurance company does not have to pay if a covered person dies? Why do insurance companies have clauses indicating situations where payment will not be made?
2 7:50-8:40	What insurance is Walter Neff selling?
3 9:50-11:30	What does it mean for an insurance policy to lapse?
4 9:50-11:30	What is the difference between comprehensive and collision auto insurance?
5 9:50-11:30	What is underwriting?
6 13:00-15:00	What did Mr. Gorlopi do that was fraudulent?
7 18:20-22:00	What is commission?
8 18:20-22:00	Was Mrs. Dietrichson unethical in asking for an accident policy on her husband without being willing to notify her husband?
9 25:50-29:00	Is it wrong for Mrs. Dietrichson to imagine how to kill her husband and collect on an accidental insurance policy even if she does not do it? Would

she have been wrong to allow the car to idle in the garage with her husband in the car and not do anything about it?

10	30:10-31:30, 34:25-36:30	Are Walter and Mrs. Dietrichson engaging in criminal behavior at this point?
11	42:40-46:00	Should Walter take the job offer by Keyes?

3. *The Killers (1946)*

Jim Reardon is a life insurance agent investigating the death of Pete Lund who holds a \$2,500 policy. Lund was involved with a criminal gang headed by Jim Colfax and was in a personal relationship with Kitty Collins. Lund returned to the gang after a jail term and took part in a payroll robbery only to be double-crossed by the gang. Lund fled with the money to Atlantic City where Kitty disappeared with the money, leaving Lund behind. Colfax has Lund killed so that other gang members would not be able to figure that Kitty and Colfax double-crossed the gang. In the end, Reardon determines that Kitty and her husband Colfax had set up Lund, but Kitty was unable to convince Colfax to make a deathbed confession exonerating her.

	Interval	Questions
1	12:50-13:20	What is a beneficiary?
2	13:20-16:00, 18:00-22:25, 23:55-26:38	Why does the insurance investigator want to know what the Swede (Pete Lunn) was doing beforehand? Why was the insurance investigator Jim Reardon (with Atlantic Casualty Insurance) interested in how the Swede died? Does the manner of his death matter? Would it have mattered if the Swede killed himself? What do casualty insurance companies insure against?
3	57:35-1:02:35	Does murder of the deceased matter in the award of the payout? According to Reardon's boss, do claims and losses suffered by Atlantic Casualty stemming from a robbery in 1940 have an impact upon investigations currently being undertaken regarding the Swede's death in 1946 if the two are connected?
4	1:12:10-1:18:20	Did Jim Reardon break the law in obtaining information? Would this have an impact on the decision of the \$2500 payout?
5	1:20:00-1:25:10, 1:28:00-1:30:15	When Reardon said that the chambermaid can identify Kitty knowing that was not true, is that lie justified to further find the truth? Is deception warranted to find the truth?

4. *The Postman Always Rings Twice (1946)*

Frank Chambers works at a diner near Los Angeles run by Nick and Cora Smith. Cora convinces Frank to murder her husband, but after an initial failed murder attempt that did not raise any suspicion, Frank leaves for Los Angeles. Nick runs into Frank a few weeks later and convinces him to return. Nick plans to announce his retirement, sell the diner, and move to Canada with Cora, and Frank and Cora design a plan to kill Nick. Frank and Cora stage the murder as a drunk-driving accident by sending Nick's car down a cliff, but Frank is accidentally trapped in the car. Cora is the beneficiary of a \$10,000 life insurance policy on Nick's death. Cora and Frank get married so that they cannot be compelled to

testify against each other. Soon after, Cora is killed in a car accident while Frank was driving. Frank is tried and convicted and sentenced to death. Frank reasons that the conviction is just punishment for Nick's murder not Cora's accident.

	Interval	Questions
1	30:50-45:45	Why does Cora want to kill her husband Nick with her new-found love Frank?
2	30:50-45:45	Are Cora and Frank totally responsible for Nick's harm? How much is the cat responsible for the injury to Nick?
3	50:00-53:40, 55:00-1:09:00	Did Frank plot with Cora to convince Nick to take out a \$10,000 life insurance policy payable to Cora? Was the District Attorney ethical to convince Frank to sign the complaint to "save his own neck?" Would the insurance company be interested in the circumstances surrounding Nick's death?
4	1:20:00-1:25:00	Was it unethical for Cora's attorney to employ the strategy that he did to free Cora?
5	1:25:00-1:26:30	Should the \$10,000 have been paid by the insurance company?

5. *Strange Bargain (1949)*

Sam Wilson learns from his boss Malcolm Jarvis that the business is bankrupt. Malcolm convinces Sam to help his suicide look like a robbery gone bad so that wife Edna could collect on a \$250,000 life insurance policy. Sam initially declines but goes along with the plan after he finds Malcolm dead. The police focus on Malcolm's partner as the primary suspect, and the conscience-stricken Sam reveals his role to Edna only to find that she had killed Malcolm because he could not go through with the suicide.

	Interval	Questions
1	7:10-10:20	Is the discussion between Sam Wilson (bookkeeper) and Malcolm Jarvis (boss) illegal? If they carried it out, is this insurance fraud?
2	11:40-17:23	Is Sam guilty of anything at this point? Is Malcomb guilty of anything yet? If Sam keeps the money, is that wrong?
3	10:50-24:10	Does Sam have an obligation to report to the police that this was not a murder at this point?
4	28:35-32:00	Are years of consistent losses enough to prove insurance fraud?
5	34:00-38:05	Was Sydney doing the right thing in not reporting that Tim Hearne (Malcomb's partner) was over at Malcomb's house on the night of the death?
6	47:00-50:30	Is Sydney guilty of anything at this point?
7	59:50-1:07:20	Since Malcomb did not commit suicide, will the \$250,000 insurance be paid? Can the perpetrator of a crime profit from the crime?

6. *Roadblock (1951)*

Insurance investigator Joe Peters realizes that Diane Morley has posed as his wife to obtain a

cheaper air fare to fly to Los Angeles. Bad weather forces Joe and Diane to share a room in Kansas before resuming their trip the next day. Joe is attracted to Diane but is rebuffed. Joe is assigned to investigate a robbery that they believe was led by Diane's boyfriend Kendall Webb, but ends up partnering with Kendall to rob a large cash shipment. Joe attempts to back out of the robbery when Diane reveals that she loves him but goes through with the robbery leading to the death of a railway employee. Ultimately, Joe kills Kendall, and is himself killed while trying to escape to Mexico.

Interval	Questions
1 1:00-4:34, 17:45-18:10	What do insurance investigators do? Do insurance investigators have the power to arrest ("book") someone who is committing a crime?
2 4:34-9:40	Diane Morley falsely claims to be the wife of Joe Peters (without Joe knowing it) in order to get a discount on airline tickets flying to Los Angeles. Is this fraud? Once Joe learns of what she has done while sitting next to him on the plane, did Joe have an obligation to report this fraud? Since he did not report this fraud, is he guilty of anything?
3 18:10-19:50, 23:10-25:10	Joe Peters and his partner Harry Miller work for Southwest Indemnity Company. What kind of insurance company do they work for based on the word "indemnity?"
4 27:00-31:35	Is Joe Peters guilty of anything at this point?
5 33:45-35:40	Diane Morley decides she is in love with Joe and does not care about money. Thus, at this point Joe decides to call off the planned robbery for \$1.25M. Is Joe now guilty of anything? Has his desire/decision to call off the robbery cleared him of the conspiracy to commit robbery? What do you think Joe should do?
6 35:40-37:45	If Joe is not part of the actual robbery, is he guilty of anything such as criminal conspiracy? Is there evidence of criminal conspiracy?
7 40:30-44:35	Can Joe be convicted on the actual crime of robbery and other acts of criminal activity related to the planned crime such as murder (if anyone is killed during the crime)? Can Joe's new wife, Diane, be convicted of any crime?

7. *A Life at Stake (1954)*

Edward Shaw partners with Doris and Gus Hillman in a real-estate venture, with Gus providing the capital to buy the land on which Edward would build houses to be sold by former real-estate broker Doris. Since the venture depends on Edward's skill as an architect, the partners arrange for key man insurance. Edward accidentally learns that the Hillmans had received an insurance payment on the life of a partner in a previous business venture. Both the police and the insurance company are skeptical of Edward's fears despite an attempt on his life. Doris lures Edward to a mountain cabin with the intention of killing him, but Gus decides to kill both Doris and Edward and make it look like a double suicide. Ultimately, Doris and Gus fall to their death over a cliff top during the struggle that ensues.

Interval	Questions
1 9:20-11:10, 17:35-21:30	Does the requirement by Doris Hillman that Edward Shaw (architect and builder) have \$250,000 in life insurance seem reasonable? Why do you think she wants it? Is Edward wise to be suspicious? Why?

2	23:10-28:15	Does it seem reasonable for Mr. Hillman to insist 50% backing through a life insurance policy on Edward's life to cover 50% of Mr. Hillman's \$500,000 investment?
3	29:20-31:20	Do you believe that Doris Hillman should have informed Shaw that she was previously married? Do you believe that she should have informed him that Mr. Hillman had a life insurance policy out on Doris Hillman's former husband and that he collected a substantial sum on this payout when her former husband died?
4	31:20-32:10	Why does Edward believe that something is likely to happen in the next nine days?
5	52:00-55:10	Should this \$175,000 policy be cancellable based on Edward's suspicion of Mr. Hillman?
6	1:10:30-1:13:10	What happens if all beneficiaries die before the insured? Is the policy void?

8. *To Catch a Thief (1955)*

After a string of robberies on the French Riviera, the police suspect that retired jewel thief John Robie is back at his craft again. The police show up while John is at a restaurant owned by a former gang member, but John manages to escape. John realizes that the copycat burglaries are bringing unwanted attention on the reformed gang members and that he is the only one who has the skill as a cat burglar to catch the copycat thief. John befriends wealthy tourists Jessie Stevens and her daughter Frances, anticipating that they will be a primary target, but is unable to prevent the robbery. John convinces an insurance agent to impersonate him at a masquerade ball while John stalks the copycat burglar. During the ball, the thief steals jewels from several people but John is able to catch the real thief.

	Interval	Questions
1	1:45-3:00, 3:40-4:00, 13:50-16:10, 22:10-25:55	What does John Robie plan to do?
2	1:11:15-1:15:13	Does insurance cause people to be more reckless with what they are protecting than in the case where people are not insured? Did Jessie Stevens act in an irresponsible way with her jewels that proves moral hazard?

9. *The Wrong Man (1956)*

Manny Balestrero is a cash-strapped musician working in a club in New York City. While at the insurance company office to borrow against the cash value of his insurance policy, he is incorrectly identified to several recent robberies and questioned by the police. Manny is subsequently arrested but struggles to prove his innocence.

	Interval	Questions
1	10:05-10:30, 13:00-17:00	Can you borrow against an insurance policy? What is “cash value”? How much can you borrow? Does the loan need to be repaid?

10. *Alias Jesse James (1959)*

Milford Farnsworth is an insurance agent who sells a \$100,000 policy to outlaw Jesse James with Jesse paying the entire premium up front with stolen money. Jesse James plans to have Farnsworth killed in a case of mistaken identity, with Cora Lee Collins as the beneficiary of the policy. Jesse James's plans go awry with Cora falling in love with Farnsworth and a gunfight between Farnsworth and Jesse James's gang.

	Interval	Questions
1	1:30-2:50	How have Americans benefitted from insurance policies? How do insurance companies make money?
2	7:10-10:00	What is Jesse James trying to do? Do policyholders typically pay up front?
3	10:10-14:30	Is it reasonable for a life insurance agent to ask questions related to the health and source of income for the policyholder? Why? Are life insurance companies likely to have their agents protect their policyholders to reduce the likelihood of payout?
4	15:50-17:40	Does Jesse have to accept the return of premium after the policy is signed? What are the insurance company's obligations to cover Jesse James?
5	53:50-54:50, 58:15-1:00:20	Is Jesse James plotting to commit insurance fraud? If so, describe what he is intending to do.

11. *The Fortune Cookie (1966)*

Running back Luther Jackson runs into cameraman Harry Hinkle on the sidelines of a football game, leading Harry's brother-in-law and lawyer, William Gingrich, to lead Harry into faking a paralysis in Harry's hand and leg to extract a high payout from the insurance company. The insurance company suspect that Harry is faking the injury and engages a private detective to investigate. Ultimately, the insurance company settles with Harry for \$200,000. Harry ends the charade when he realizes that his ex-wife was back in his life for the expected insurance payout, and that the incident has negatively impacted Luther Jackson's career.

	Interval	Questions
1	11:00-11:42, 14:00- 21:05, 21:04-22:30	What is Willie Gingrich (lawyer and brother-in-law of Harry Hinkle) planning to do? Is his suit legal? Does Sandy, ex-wife of Harry, genuinely have an interest in the health of Harry? Does Harry have an incentive to play along?
2	22:30-28:08	Are Willie and Harry engaging in illegal activity?
3	28:15-29:37	Why does Consolidated Life Insurance Company want their own doctors to examine Harry?
4	31:45-35:00	What legal basis will Willie use?
5	41:50-44:45	What is the doctor (dentist) from Chicago doing? Is this legal?

6	47:15-50:03	Is it legal for Consolidated Life to "bug" Harry's home to obtain evidence of fraud?
7	1:46:05-1:52:04	Why does Willie indicate that no law has been broken? What are the two charges that Willie decides to pursue?

12. *The Thomas Crown Affair (1968)*

Thomas Crown successfully steals more than \$2.5 million dollars from a Boston bank using techniques that makes it practically impossible to connect the crime to him. Insurance investigator Vicki Anderson is called upon to solve the crime and quickly determines that Crown is the primary suspect. Crown evades her attempts to prove his guilt, their relationship intensifies and becomes romantic, but Crown is unsure of where her allegiance really lies.

	Interval	Questions
1	34:40-36:45, 39:30-41:00	If funds are stolen from a bank, does the FDIC replace the stolen funds? How much money was stolen? How much does the insurance investigator, Vicki Anderson, get to keep if she solves the crime and locates the money?
2	57:25-1:02:15	Is it acceptable for insurance companies to break the law when dealing with lawbreakers?

13. *Sleuth (1972)*

Successful crime fiction writer Andrew Wyke convinces Milo Tindle to steal jewelry from Andrew's home with Andrew recovering their value with an insurance claim. However, Milo discovers that the real purpose of the plot was to lead Milo into a trap that would justify his killing during the attempted robbery. Milo survives the attempted murder and returns to investigate the disappearance of Milo posing as Inspector Doppler and providing evidence of Andrew's attempt at murder.

	Interval	Questions
1	18:53-25:15	What is the perceived plan to commit insurance fraud at this point in the film?
2	53:55-1:02:30	What was the real intent of Andrew Wyke? Has any insurance fraud been committed at this point?

14. *Save the Tiger (1973)*

Harry Stoner and Phil Greene, partners in a debt-loaded apparel business named Capri Casual, are using fraudulent accounting practices and questionable business practices to keep the business afloat. When Stoner recognizes that there is no way to keep the business solvent, he considers using a professional arsonist to destroy the business for the insurance payout.

Interval	Questions
1 23:55-29:43	What is the status of Harry Stoner's apparel/garment business, Capri Casual? Why is Harry asking about whether the insurance policies are paid up on the laundry factory?
2 30:30-35:03	Is setting up a woman to have sex with Fred Morrell, a buyer of Harry's line of clothing, an acceptable form of the cost of doing business?
3 59:30-1:02:10	What is Sydney proposing? What is the "mob?" Is the mob's interest in providing financing Harry a good sign for Capri Casual's business?
4 59:30-1:02:11, 1:06:10-1:11:50	Is working with the mob worse than arson? Are there no more rules? Does the ends justify the means when there are "no more rules?"
5 1:03:45-1:06:05	Is plotting to commit arson illegal?
6 1:32:50-1:35:48	Is Phil Greene guilty of conspiracy to commit arson if he is aware of the plan to commit arson but does not want to do it?

15. *Evil Under the Sun (1982)*

Detective Hercule Poirot investigates an insurance policy sought by millionaire Sir Horace Blatt for a diamond which is identified to be a fake worth at most only 40 pounds. The real diamond was given by Blatt to Arlena Marshall who subsequently returned the fake in place of the real diamond. After Arlena is strangled to death on a deserted beach, Poirot attempts to piece together the alibis of the eight people involved, and correctly identifies the killers – Christine and Patrick Redfern, a married couple who had concocted an elaborate plan to kill Arlena and swap out the real diamond with the fake one for the purpose of eventually selling it.

Interval	Questions
1 2:10-7:50	Why should millionaire Horace Blatt seek to insure an item worth (apparently) less than 40 pounds? Will the London Trojan Insurance Company insure this item?
2 1:44:00-1:46:23	Was it necessary for detective Hercule Poirot to investigate the insurance on the diamond? Did Poirot have any legal authority to arrest the person(s) responsible for swapping counterfeit jewelry for real jewelry?

16. *Fletch (1985)*

Fletch is an investigative reporter who goes undercover to find out who is supplying drugs on the beach. Alan Stanwyk watches him and picks him up to ask Fletch to kill him since he has cancer and a large life insurance policy that would benefit his wife. Fletch investigates to see if Alan is dying. He does not find any evidence that he is dying, but he does see Alan giving the Police Chief money. Fletch uncovers that Alan Stanwyk and the Chief of Police are the drug suppliers on the beach.

Interval	Questions
1 08:13-08:26	Why do corporations buy life insurance on executives? Explain the suicide exclusion in a life insurance policy? Why is suicide excluded?
2 1:15:38-1:15:43	What do insurance investigators do? Why do investigators question family members?

17. *Groundhog Day (1993)*

Phil is a Pittsburgh weathercaster and is assigned to report from Punxatawney, Pennsylvania for the Groundhog Day Ceremony. Once there, he begins to live the same day over and over. Initially, since there are no consequences, he does whatever he wants. He gets the idea to make each day better since he knows what is going to happen. He assists a motorist with a flat tire, catches a kid as he falls from a tree, and saves a person from choking in a restaurant. He improves each day and falls for his television producer and over time knows the perfect words to say to get her to fall for him.

	Interval	Questions
1	10:20–12:08	What is single premium whole life insurance? What is limited pay whole life? What role do mortality tables play in determining how long a person will live?
2	21:26–22:28	Identify a few of the methods to determine how much life insurance a person needs.
3	1:32:19–1:32:47	What type of life and health insurance policies are available for individuals and families?

18. *Jurassic Park (1993)*

Jurassic Park is about bringing dinosaurs back to life and creating an attraction on an island for people to visit. Hammond has figured out a way to take preserved DNA and recreate dinosaurs. He replicates dinosaurs and makes a zoo on an island to attract visitors. A worker is attacked by a dinosaur, and Gennaro is asked to get two experts to agree that the island is safe for visitors. They have to convince Alan Grant to visit the island to confirm that it is safe. He believes that it is a bad science experiment and realizes this when the dinosaurs are out of control, and they need to escape with their lives.

	Interval	Questions
1	3:56–4:42	What are some reasons why a company could be sued? What elements are needed to establish negligence? What are the four types of payments provided by Workers Compensation Insurance?
2	4:44 – 5:08	What is a site inspection? How does a site inspection assist in the underwriting process?

19. *Rainmaker (1997)*

Rudy Baylor is a recent law school graduate and is hired by J. Lyman “Bruiser” Stone. He shows him how to go to hospitals to find potential cases so he can represent the injured person. He is provided with a case for Donny Ray Black who is dying from leukemia. The insurance company has denied his claim for treatment and his health is significantly deteriorating. It is Rudy’s job to show that this claim should not have been denied and they are suing the insurance company.

	Interval	Questions
1	4:37 – 5:10	Identify reasons why health insurance claims can be denied?
2	12:20 – 13:00	Explain the benefits of estate planning?
3	13:00 – 14:49	What legal document can assist in transferring assets to another person upon death?
4	37:00-37:08	Explain what a settlement is in a lawsuit?
5	46:00-47:00	Explain what a settlement offer is in a lawsuit? What are some factors in determining whether to accept a settlement offer? Explain what no admission of liability means?
6	2:03:26 – 2:04:07	Explain actual damages and punitive damages?

20. *The Truman Show (1998)*

Truman is part of a reality television show that is a world-wide success. However, Truman does not know that every aspect of his life is on TV. Truman was picked at birth to have his life shown on TV twenty-four hours a day, 365 days a year. Truman is a life insurance salesman with Seahaven Life and Casualty. The script writers have his life planned out and one young lady tries to tell him about it, but she is removed from the cast. He's told that they are taking her to Fiji, so Truman would like to go to Fiji to find her. Truman eventually figures out that he is main character of this reality show and has a decision to make, leave the set for the rest of the world or stay on the set and continue the show. He decides that he wants to leave. The young lady from earlier in the show sets out to meet up with him again.

	Interval	Questions
1	6:15-6:20	What factors determine if a person is uninsurable?
2	38:44 – 39:00	What position does Truman hold for his company? Identify other functional areas within an agency and an insurance company?
3	1:12:16 – 1:12:56	What factors determine the premium for a life insurance policy?

21. *Memento (2000)*

Leonard is an ex-insurance investigator and cannot create any new memories. His wife was attacked and killed, so he is trying to recreate what happened to find the killers. Leonard had worked as an insurance investigator, and his job was to see which claims were phony. Similar to his condition, Sammy Jenkus was in a car accident and had short term memory loss. Leonard was able to prove that Sammy's short-term memory loss was psychological and not physical, so the claim was denied. Sammy's wife could not believe that it was psychological and tested Sammy by having him give her timely insulin shots thinking that he would not continue to give her that shots that would kill her. Leonard continues to investigate his wife's death, and a policeman helps provide him with clues to solve the case. However, others get involved and set it up that the policeman is the bad guy and Leonard ends up killing the policeman in the end.

	Interval	Questions
1	22:25-22:30	What do workers in claims do? What are the insurance company's legal requirements in the settlement of losses?
2	26:55 - 28:37	What are some reasons for short term memory loss?

3	39:34- 40:04	What is disability income insurance? Do some policies cover psychological and physical disabilities?
4	57:12- 57:17	Why do workers in claims deal with police in assisting them with a claim?
5	1:02:5-1:04:57	Why can't people comment on a case when it is on appeal?

22. *John Q. (2002)*

The movie starts with a major car accident on a scenic highway. John Q. has a son, Michael who is an active kid who falls and cannot get up. They go to the hospital and find out that Michael is ill and needs a heart transplant. John Q.'s insurance will not cover the transplant at a cost of \$250,000. For Michael to be on the transplant list, John Q. needs to provide a down payment of 30%, \$75,000. He tries to raise enough funds but is short of the money needed. John Q. has had enough, and he goes to the hospital and takes hostages. He demands that Michael get a heart transplant, or he will harm the hostages. Since a heart has not been available for Michael, John Q. decides that he will donate his heart. Just as he is going to kill himself so they can take his heart for his son, a heart is available from the person killed in the traffic accident shown at the beginning of the movie.

	Interval	Questions
1	20:40 – 20:46	What makes a person eligible for a heart transplant?
2	22:00 – 22:38	Do health insurance plans cover heart transplants? Do some policies have limits on how much is paid for a heart transplant?
3	22:38 – 22:50	What are the different costs associated with a transplant?
4	22:50 – 23:30	Once on a heart transplant waiting list, how are potential recipients prioritized to receive a heart?
5	1:39:00 - 1:40:30	What are the common matching factors for donors and recipients for a heart transplant?

23. *About Schmidt (2002)*

About Schmidt is a retiring actuary from Woodmen Insurance. He and his wife buy an RV to travel. Soon after his retirement, his wife dies. His daughter is getting married in Denver, and he travels to the wedding. While watching television, a commercial for Hope for Children is on. Through Hope for Children, Warren sponsors Ndugu and writes letters to him on what he does and updates Ndugu on his life.

	Interval	Questions
1	3:54 – 4:03	Explain the characteristics of universal life?
2	5:27 – 5:36	What organizations rate insurance companies? What factors are used in determining company ratings?
3	19:11 – 19:18	What is an actuary? What actuarial designations can an actuary earn?
4	20:38 – 20:42	What subjects do you need to study to be an actuary?
5	43:00 – 43:27	What variables did Warren say that he needed to determine how long a man would live?
6	43:00 – 43:27	What variables are used in determining a person's mortality?

24. *Along Came Polly (2004)*

Reuben is a risk analyst. He gets married and goes on a honeymoon, and his wife sleeps with the scuba instructor. Reuben returns home and he is tasked to determine if a risky executive is insurable for life insurance. He has a computer program named risk master that he inputs variables to determine if a person is insurable. He meets Polly and uses his risk master to determine if Polly or his wife, who wants to get back together, is a better fit based on risk factors.

Interval	Questions
1 1:23 – 1:32	What is a risk analyst?
2 14:00 – 14:55	Explain key person life insurance.
3 27:54 – 28:19	What impact does risky behavior have on insurance premiums?
4 53:38 – 54:32	What are the positive and negative factors in rating a person for life insurance?

25. *The Incredibles (2004)*

Bob Parr is a superhero, but due to lawsuits against superheroes, the government initiated a relocation program. Bob works in insurance claims, but is called upon battle a new villain, Buddy. Buddy is testing an indestructible weapon and eliminates superheroes while testing it. He plans to launch the weapon on a major city. Bob is offered a mission to take on the weapon and he defeats it, so Buddy knows that he must improve the weapon. Bob is invited back to defeat the weapon again, and his family must come to his rescue.

Interval	Questions
1 10:43 - 10:54	Explain government liability, government liability caps, and government immunity.
2 11:03 - 11:21	Explain how certain goods and services might be eliminated if the risk of lawsuits is too large.
3 11:21 – 11:32	Describe the functional areas within an insurance company, including claims.

26. *The Big White (2005)*

Paul Barnell is having financial difficulties due to his wife, Margaret's medical bills for Tourette's syndrome. His brother, Raymond, has been missing for years so Paul would like to receive the face amount of the life insurance policy to reduce his financial problems. He goes the Liberty Capital to make a claim, but since it hasn't been 7 years and there is no body, Liberty Capital cannot pay the claim. Paul stumbles onto a body in a dumpster and decides to use the corpse as proof that his brother is dead and that he should receive the death benefit. The corpse is actually from a hit and the killers did not have proof, so they needed to get the body back from Paul and prove that they killed the person. The body is gone since Paul took it and they find out. They hold Paul's wife captive until he returns the corpse. However, he used the corpse as proof that his brother is dead, and the corpse has been buried. His brother, Raymond, returns, and Paul must continue to deceive the Liberty Capital claims person, Ted Waters, that he has a legitimate claim.

Interval	Questions
----------	-----------

1	5:55 - 7:14	How long does a person have to be missing before they can be declared dead for a life insurance claim?
2	28:25 - 29:00	What types of fraudulent claims may exist in life insurance?
3	45:26-46:22	Explain the claims process for personal property. Explain how the value of a loss is calculated for personal property. What factors are considered to determine if a personal property loss is fraudulent?

27. Cedar Rapids (2011)

BrownStar Agency in Brown Valley, Wisconsin, is a Two Diamond Award winning agency. The award is given by the American Society of Mutual Insurance (ASMI). Roger Lemke was the agent who attended the ASMI Convention to promote the agency to win the award. He dies and Tim Lippe must represent BrownStar at the convention to win the award again for BrownStar. He meets some other fun-loving agents and finds out Roger from his agency had paid off the head of ASMI, Orin Hellgeson, for BrownStar to win the award. Tim also pays off Orin for BrownStar to win the award. Since BrownStar has won the award, another agency plans to buy the agency and shut down BrownStar in Brown Valley and Tim would have to move to Milwaukee. At the award presentation, Tim says that he paid off Orin to win the award.

	Interval	Questions
1	00:48-01:04	What are some factors that help an insurance agency prosper? What are some ways that an individual can save on their insurance premium?
2	03:24 -3:48	What awards can agencies receive?
3	28:00 – 28:30	What are some reasons why a person would like to work in an insurance agency?
4	28:58 – 29:06	How do insurance agents assist when an insured has a loss?
5	1:14:12 - 1:14:44	When an agency is sold, how is the value of the agency determined?

28. Going in Style (2017)

Three elderly gentleman, Joe, Willie, and Al have lost their pension due to their company, Wechsler Steel, being merged with Semtech. Joe is in the bank discussing his accounts and the bank is robbed. Because of the financial hardship of not receiving their needed pension, Joe gets the idea that they decide to rob the bank. They recruit an expert to help plan the robbery. Joe, Willie, and All plan to take the amount that is owed to them. Willie needs a donor for a new kidney. He's going through dialysis, and they find out that Al is a match and can be a donor. Al donates his kidney to Willie.

	Interval	Questions
1	8:40 – 8:54	What type of coverage do banks need to insure against bank robberies? What risk control measures do bank use to reduce the loss from bank robberies?
2	11:21 – 11:29	When can a company stop having to meet its pension obligations? What occurs when a pension fund stops making its required payments?

3	15:49 – 16:28	What are reasons that a person needs an organ transplant?
4	45:58 – 46:17	What does the Pension Benefit Guaranty Corporation (PBGC) cover? How many people does the PBGC provide protection for?
5	1:06:41 – 1:06:58	How does a person get on the list for an organ transplant?
6	1:26:36 – 1:27:20	How is it determined if a donor and a recipient are a match for an organ transplant?

29. *Sicko* (2007)

Sicko examines healthcare in the United States, Canada, Britain, and France. The documentary meets with individuals and families that have been impacted by health insurance.

Interval	Questions
1 1:13 – 1:22	Identify reasons why millions of Americans do not have health insurance.
2 3:35 – 3:40	Identify the characteristics of employer provided health insurance, Medicare, Medicaid, and individual health plans.
3 31:20 – 31:50	Explain the characteristics of a Health Maintenance Organization (HMO). Identify advantages and disadvantages of an HMO.
4 40:30 – 40:40	Explain provisions provided by the Health Insurance Portability and Accessibility Act (HIPAA) that was passed in 2003.
5 1:00:52 – 1:01:22	What are the characteristics and provisions of the National Health Service in the United Kingdom?
6 1:35:56 – 1:36:11	Explain the provisions and characteristics of the September 11 Victims Compensation Fund.

SUGGESTIONS FOR ADDITIONAL DISCUSSION AND CONCLUSION

We reviewed commercial films for insurance, risk management, and related content and specifically identified 29 films with interesting and relevant material. We then identified specific insurance and risk management related topics within these films that instructors may find useful as supplemental visual aids for students to gain deeper context and understanding of the theoretic constructs which are introduced and covered in the classroom setting. The topics are listed for each film in Table 1, and we have also provided questions to accompany each of the identified films to assist with stimulating discussion. Instructors can identify the film and film segments that would be of practical use in class in an effective manner. For example, if an instructor is covering healthcare in class, then *Rainmaker*, *John Q.*, and *Sicko* can be used to highlight the topic primarily at the 4:37 – 5:10, 22:00 – 22:38, and 31:20 – 31:50 segments.

The films can be used to create an innovative stand-alone insurance and risk management course or may be used to complement existing courses. While it is evident that the material can be used in an entry level insurance and risk management course, the material can also be used to cover related topics in advanced courses. For example, for health insurance, some of the older films and can be used to discuss changes in regulations over time due to the Health Insurance Portability and Accountability Act (HIPAA) and the Affordable Care Act (ACA). The films portray commonly held perceptions about the

role that insurance and risk management play in society and the ethical dimensions of insurance, but we leave that as a topic for a later paper.

With the number of films and topics reviewed in this paper, insurance and risk management professors have many options to supplement their course materials with interesting and educational film content. The use of films (or film segments) in the classroom can be enjoyable to both the professor and the students, though we do caution that the content may not be suitable for all audiences, and the synopsis does contain spoilers.

REFERENCES

- Anderson, D. (1992). Using feature films as tools for analysis in a psychology and law course. *Teaching of Psychology*, 19 (3), 155-158.
- Arnheim, R. (1957). *Film as art*. Berkeley: University of California Press.
- Baggett, P. (1979). Structurally equivalent stories in movie and text and the effect of the medium on recall. *Journal of Verbal Learning and Verbal Behavior*, 18 (3), 333-356.
- Bay, D. & Felton, S. (2012). Using popular film as a teaching resource in accounting classes, *American Journal of Business Education*, 5 (2), 159-172.
- Bazin, A. (1967). *What is cinema?* (Vol. 1, H. Gray, Trans.), Berkeley: University of California Press.
- Belden, S. (1992). A comment on *Wall Street: A Case in Ethics*. *Financial Practice and Education*, 2 (Spring/Summer), 53-54.
- Berger, J. & Pratt, C. B. (1998). Teaching business-communication ethics with controversial films. *Journal of Business Ethics*, 17 (16), 18-17-1823.
- Bluestone, C. (2000). Feature films as a teaching tool. *College Teaching*, 48 (4), 141-146.
- Bordwell, D. (1996). Convention, construction, and cinematic vision. In D. Bordwell & N. Carroll (Eds.), *Post-Theory: Reconstructing film studies*. Madison: University of Wisconsin Press.
- Boyatzis, C. (1994). Using feature films to teach social development. *Teaching of Psychology*, 21 (2), 99-101.
- Briam, C. (2010). Outsourced: Using a comedy film to teach intercultural communication. *Business Communication Quarterly*, 73 (4), 383-398.
- Carroll, N. (1985). The power of movies. *Daedalus*, 114, 79-103.
- Champoux, J. E. (1999). Film as a teaching resource. *Journal of Management Inquiry*, 8 (2), 206-217.
- Chan, K. C., Weber, M. & Johnson, M. (1995). Using *Other People's Money* in the classroom. *Financial Practice and Education*, 5 (1), 123-127.

- Cox, P. L., Friedman, B. & Edwards, A. (2009). Enron: The smartest guys in the room – Using the Enron film to examine student attitudes towards business ethics. *Journal of Behavioral and Applied Management*, 10 (2), 263-290.
- Dancyger, K. (1997). *The technique of film and video editing: Theory and practice*. Boston: Focal Press.
- Deno, S. L. (1968). Effects of words and pictures as stimuli in learning language equivalents. *Journal of Educational Psychology*, 59 (3), 202.
- Dyl, E. A. (1991). Wall Street: A case in ethics. *Financial Practice and Education*, 1 (1), 49-51.
- Fleming, M. Z., Piedmont, R.L. & Hiam, C.M. (1990). Images of madness: Feature films in teaching psychology. *Teaching of Psychology*, 17 (3), 185-187.
- Giola, D. A. & Brass, D. J. (1985). Videotapes in the OB Classroom: Creating the tools to teach. *Exchange: The Organizational Behavior Teaching Journal*, 7, 13-18.
- Goebel, J. M. & Athavale, M. (2016). Business ethics through the medium of film, *Journal of Business Ethics Education*, 13, 265-292.
- Goebel, J. M., Athavale, M. & Weber, M. (2016). Finance through film: From A to Z, *Advances in Financial Education*, Winter, 51-79.
- Graham, L. & Kocher, C. (1995). A note on using Other People's Money in the classroom, *Financial Practice and Education*, 5 (Spring/Summer), 128-129.
- Gregg, V. R., Hosley, C.A., Weng, A. & Montemayor, R. (1995). Using feature films to promote active learning in the college classroom. In annual conference on Undergraduate Teaching of Psychology, Ellenville, NY. ERIC Document Reproduction Service, ED 389 367.
- Harrington, K V. & Griffin, R.W. (1990). Ripley, Burke, Gorman, and friends: Using the film *Aliens* to teach leadership and power. *Journal of Management Education*, 14 (3), 79-86.
- Hatfield, P & Buchko, A. (2008). Using *Enron: The Smartest Guys in the Room* as a live case illustration of financial concepts and ethical issues. *Journal of Financial Education*, 34 (Spring), 68-94.
- Higgins, J. A. & Dermer, S. (2001). The use of film in marriage and family counselor education. *Counselor Education and Supervision*, 40 (3), 182-192.
- Jenkins, J. R., Neale, D. C. & Deno, S. L. (1967). Recognition memory for word and picture stimuli. *Journal of Educational Psychology*, 58, 303-307.
- Jenkins, J. R. (1968). Effects of incidental cues and encoding strategies on paired-associate learning. *Journal of Educational Psychology*, 59 (6), 410.
- Jurkiewicz, IK. (1990). Using film in the humanities class-room: The case of *Metropolis*. *English Journal*, 79, 47-50.

- Kester, G. W. (2013). Barbarians in the classroom: The case of RJR Nabisco. *Journal of Financial Education*, 39 (Spring/Summer), 79-95.
- Levinson, J. (1996). Film music and narrative agency. In D. Bordwell & N. Carroll (Eds.), *Post-theory: Reconstructing film studies*. Madison: University of Wisconsin Press.
- Livingstone, L. P. & Livingstone, B.T. (1998). The twilight zone of diversity. *Journal of Management Education*, 22 (2), 204-207.
- Marshall, E. O. (2003). Making the most of a good story: Effective use of film as a teaching resource for ethics. *Teaching Theology and Religion*, 6 (2), 93-98.
- Michaelsen, L. K. & Schultheiss, E.E. (1988). Bronson, Brenner, and McQueen: Do they have something to teach us about influencing others? *Journal of Management Education*, 12 (4), 144-148.
- Nofsinger, J. R. (1995). Barbarians at the Gate: A capstone corporate finance project. *Financial Practice and Education*, 5 (1), 118-122.
- Paivio, A. & Yarmey, A.D. (1966). Pictures versus words as stimuli and responses in paired-associate learning. *Psychonomic Science*, 5 (6), 235-236.
- Pendo, E. A. (2004). Note and comments - Images of health insurance in popular film: The dissolving critique. *Journal of Health Law*, 37 (2), 267-315.
- Pendo, E. A. (2005). Telling stories about health insurance: Using new films in the classroom. *Houston Journal of Health Law and Policy*, 5, 269-285.
- Peng, C.Y. & Levin, J.R. (1979). Pictures and children's story recall: Some questions of durability. *ECTJ*, 27 (1), 39-44.
- Peterson, C. A. & Philpot, J. (1997). A supplement to Barbarians at the Gate: A Capstone Corporate Finance Project. *Financial Practice and Education*, 7 (2), 98-105.
- Philpot, J. & Oglesby, R. (2005). It's a Wonderful Life: A case in financial institutions management and history. *Journal of Financial Education*, 31 (Summer), 49-60.
- Ross, J. (1996). Scorsese's *The Age of Innocence*: An escalation interpretation. *Journal of Management Education*, 20 (2), 276-285.
- Scherer, R. F. & Baker, B. (1999). Exploring social institutions through the films of Frederick Wiseman, *Journal of Management Education*, 23 (2), 143-153.
- Scott, S. & Weeks, P. P. (2016). Using film to teach authentic leadership, *Journal of Leadership Education*, 15 (1), 140-149.
- Serey, T. T. (1992). Carpe diem: Lessons about life and management from Dead Poet's Society. *Journal of Management Education*, 16 (3), 374-81.

- Smith, G.W. (2009). Using feature films as the primary instructional medium to teach organizational behavior, *Journal of Management Education*, 33 (4), 462-489.
- Smith, J. (1996). Unheard Melodies? A critique of psychoanalytic theories of film music. In D. Bordwell & N. Carroll (Eds.), *Post-theory: Reconstructing film studies*. Madison: University of Wisconsin Press.
- van Es, R. (2003). Inside and outside "The Insider": A film workshop in practical ethics. *Journal of Business Ethics*, 48 (1), 89-97.
- Weis, E., & Belton, J. (Eds.). (1985). *Film sound: Theory and practice*. New York: Columbia University Press.
- Worth, S. (1966). Film as non-art. *The American Scholar*, 25, 322-334.
- Worth, S. (1968). Cognitive aspects of sequence in visual communication. *AV Communication Review*, 16, 121-145.
- Worth, S. (1969). The development of a semiotic of film. *Semiotica*, 16, 282-321.

Table 1: Topics covered by various insurance-related films

Film	Topics Covered												
	Employee	Health Insurance/ HMO	Insurance Adjuster, Insurance Claims	Insurance Fraud, Life Insurance Fraud	Insurance Investigators	Insurance Law	Insurance Sales	Key Person Insurance	Life Insurance	Pensions, PBGC	Property Insurance	Risk Analyst/Risk Management	Total
1	Lloyd's of London	X		X	X							X	4
2	Double Indemnity	X		X	X				X				4
3	The Killers	X					X		X				3
4	The Postman Always Rings Twice				X				X				2
5	Strange Bargain			X	X	X			X				4
6	Roadblock				X								1
7	A Life at Stake							X	X				2
8	To Catch a Thief					X							1
9	The Wrong Man								X				1
10	Alias Jesse James				X				X				2
11	The Fortune Cookie			X	X								2
12	The Thomas Crowne Affair					X							1
13	Sleuth				X								1
14	Save the Tiger				X						X		2
15	Evil under the Sun					X							1
16	Fletch				X				X				2
17	Groundhog Day	X					X		X				3
18	Jurassic Park											X	1
19	Rainmaker		X	X		X							3
20	The Truman Show	X					X		X				3

2 1	Memento	X		X										2
2 2	John Q.		X	X										2
2 3	About Schmidt	X							X					2
2 4	Along Came Polly	X						X	X			X		4
2 5	The Incredibles	X		X		X								3
2 6	The Big White	X		X	X				X		X			5
2 7	Cedar Rapids	X					X							2
2 8	Going in Style									X				1
2 9	Sicko		X											1
	Total	11	3	9	11	3	3	4	2	13	1	2	3	65

Negotiation and Persuasive Presentations

Michael R. Hubbel
Temple University

ABSTRACT

This article is intended to provide faculty with a complete set of material to create a new course in insurance negotiation and proposal presentations.

INTRODUCTION

Anticipating a continuing need in the foreseeable future for human involvement in large business risk financing transactions and responding to alumni feedback indicating a negotiation course would have been helpful, I designed a new course entitled “Negotiation and Persuasive Presentations” specifically for insurance and risk management majors in an undergraduate program. The intent of the course is:

- To educate students on principled negotiating and the responsible presentation of information, and in particular data, for decision making purposes,
- To improve the quality of insurance business proposals and presentations, and
- Recognizing the interdependency of insurance brokers and underwriters, to emphasize the importance of developing long-term, professional business relationships between brokers and underwriters.

The course is still a requirement in the insurance and risk management major at Olivet College today.

The course requires completion of the principles of insurance and risk management course, and the commercial insurance contracts course, to provide a basis for the course main project, which is the creation of a proposal to provide property, liability, and workers’ compensation insurance for a large business, to be submitted to an insurance company underwriter. Student teams act as broker teams, and industry judges act as underwriters in presentation meetings at the end of the semester. This could also be used to prepare students for presentations to clients, although many firms have training in this area. Few focus on the presentation of an account to underwriters.

The structure of the course is designed in two parts. The first part of the semester is focused on creating an insurance proposal and making a sales presentation. This part gets the students started on their final presentation project. The second part of the semester is focused on developing principled negotiating skills. Details of the course schedule and assignments are provided in Appendix A, the Course Syllabus for the class.

The course requires readings from a textbook on principled negotiation and several outlines that I created on topics associated with creating insurance proposals and making presentations. Delivery of the course involves lectures, breakout exercises, a homework assignment, three exams (team re-takes are conducted to build group cohesiveness and strengthen understanding of concepts), team proposal presentations, and a final reflective essay. I also conduct a survey of students’ beliefs and values in negotiating at the beginning of the course to cause students to think about the negotiation process, and I conduct the same survey at the end of the course for students to see whether their thoughts about negotiation changed during the course. The combined surveys can be used as a part of the students’ final reflective essay. The surveys at the beginning of the course are submitted to the instructor to prevent alteration before the end of the course, and are kept confidential, submitted with a symbol the student would recognize; the instructor would not see their name connected with the survey. I adapted a “personal bargaining inventory” provided in the textbook adopted for the course, Lewicki, Barry, Saunders, *Essentials of Negotiation*, McGraw-Hill Irwin, 4th Edition, 2007.

PREPARE FOR SPIRITED DISCUSSIONS

It is important to lay ground rules for negotiation exercises in advance. Students became very invested in the topics of negotiating exercises, and I was surprised at how excited and intense they became in some situations. From my course syllabus:

“Given the nature of this course and your interest in strengthening skills in negotiation and persuasion, we must adhere to the following rules during this course:

- Act ethically
- Respect confidentiality of “inside information” provided to each side in a negotiating exercise
- Recognize that while role-playing is not real, your behavior in the classroom is real, with real consequences, so take your role seriously
- Don’t take it personally – don’t become extremely emotional or violent in a negotiating exercise
- Adhere to the Olivet College Compact (a good habit to develop for life)”

PRESENTATION DESIGN AND SKILLS

Basic presentation topics must be covered at the beginning of the course, so students can begin working on their final project, described below. I have included outlines for the following key topics in the appendix.

Written Insurance Proposal – Appendix B

This outline describes the basics of a format, timing and content of a written insurance proposal. I invite representatives of one of the large international insurance brokers, who become partners in delivering the Final Presentation Project (described below), to speak to the students about insurance proposals early in the course to help students get started on their final project.

Oral Presentation – Appendix C

This outline describes important advice for presentations, and “do’s and don’ts” in designing presentation slides.

Insurance Account Research – Appendix D

This outline describes the process of gathering information about a large customer to prepare a proposal for an insurance underwriter.

Data presentation – Appendix E

This outline describes the responsible presentation of information, particularly data, which is important to protect the trust of the underwriter. This is based on the work of Professor Emeritus Edward Tufte, a leader in information design and data visualization, as cited in the outline.

Cover Letter Exercise – Appendix F

This exercise gives the students initial work in constructing the cover letter for an insurance proposal. The feedback on this assignment will help the students with their Final Presentation Project.

Sales Pitch Exercise

Students prepare a three-minute sales pitch for a product that they select.

Impromptu Speech Exercise

Students are randomly given a topic that we know they would be familiar with, to give a short impromptu speech. Topics may include: “improving the college cafeteria menu”; or “in addition to a good salary, one should look for ___ when considering a new job”; or “the problem with email is _____.” This exercise is intended to help students practice “thinking on their feet.”

NEGOTIATION BASICS

I discuss several of the topics in the textbook, including the value of integrative negotiation over distributive bargaining, planning the negotiation process, and steps in the negotiation process. Along the way, we engage in the following negotiating exercises in two-student breakouts. Each breakout team write the details of their agreement in the exercise on a flipchart to be displayed for the whole class as we debrief the details of the process followed in each breakout.

Pepulator Pricing Exercise (<https://www.pon.harvard.edu/shop/pepulator-pricing-exercise/>)

I use this exercise published by Harvard Law School Project on Negotiation to demonstrate the value of creating win-win solutions over win-lose negotiations. It is a fun exercise with a surprising result. After the back and forth of a bidding process over a fictional product, the student teams learn in the end they could have maximized their profits if they approached the negotiation in a professional, integrative process that builds trust among the parties in the negotiation. I use a spreadsheet to debrief the outcomes of each of the teams, to show them the value of win-win solutions compared to the actual outcomes of the student teams.

Sally Soprano (<https://www.pon.harvard.edu/shop/sally-soprano-i/>)

I like to use this negotiating exercise next in the course, before the insurance-related exercises. Sally Soprano is a negotiation between the agents for an opera star and an opera house. This removes any bias that a student may have in the context of insurance, and encourages the students to negotiate by bringing other options to the deal. In this version, each side has confidential information about their on situation and interests. In a second version, both sides have all of the information available to them.

Insurance Negotiations – Appendix G

This is an outline that I use after the two introductory negotiating exercises, Pepulator and Sally Soprano, to introduce the remaining focus on insurance negotiating. This discussion applies what students have learned about principled negotiating in general, to negotiations in the context of the insurance business.

Guidelines for Insurance Negotiating – Appendix H

This is the content of a PowerPoint presentation that I use after covering the basics of negotiation in the textbook. I use this to apply the concepts of principled negotiation to the presentation of an insurance account to an insurance company underwriter.

Insurance Job and Salary Negotiation Exercise – Appendix I

This is the first exercise in the context of insurance, and is likely to be very helpful to the students. There are two sides, the graduating insurance student and the insurance company employer. Each side had confidential information to be used in the negotiation.

Insurance Negotiation – Appendix J

This is the final negotiating exercise before students present their final project. There is separate information for two sides, the broker and the underwriter. There are also two different scenarios: one scenario in a soft insurance market and one scenario in a hard insurance market.

Final Presentation Project

This is where all of the content of the course comes together. The student teams each act as an insurance broker team presenting an account to insurance company underwriters, role-played by our professional insurance broker partners who will also act as judges of the presentations from each student team. The students receive feedback from the judges using the form in Appendix K. Each presentation is recorded and a video copy made available to the students.

REFERENCES

- Amrhein, Christopher J., Daniel P. Hussey Jr., *Agency Operations and Sales Management*. Edited by Christine O. Quay, Malvern, Pennsylvania: Insurance Institute of America, 2002.
- Amrhein, Christopher J., Daniel P. Hussey Jr., *Multiple-Lines Insurance Production*. Malvern, PA: Insurance Institute of America, 2002.
- Feldhaus, William R., ed., *Surplus Lines Insurance Practices*. Malvern, PA: Insurance Institute of America, 1996.
- Fisher, Ury, Patton, *Getting To Yes*. Houghton Mifflin, 1991. (pp. 166, 167)
- Lewicki, Barry, Saunders, *Essentials of Negotiation*, McGraw-Hill Irwin, 4th Edition, 2007.
- Lindsell-Roberts, Sheryl, *Technical Writing for Dummies*. New York: Hungry Minds, Inc., 2001.
- Locker, Kitty O., *Business and Administrative Communication*. Irwin McGraw-Hill 2000.
- Lucas, Ph.D., George, *Strategic Negotiation Skills Workshop*, Marsh Graduate Training Program, February 2003.
- Negotiating for Fun and Profit*, Risk and Insurance Management Society Annual Conference, New Orleans, April 16, 2002.
- Seven Elements of Principled Negotiation Seminar*, Insight Partners Inc. and Harvard Negotiation Project, 2003.
- Trupin, Jerome, Daniel P. Hussey Jr., *Foundations of Insurance Production*. Malvern, PA: Insurance Institute of America, 2002.
- Tufte, Edward R., *The Cognitive Style of PowerPoint*. Graphics Press, Cheshire, Connecticut 2003.
- Tufte, Edward R., *Envisioning Information*. Graphics Press, Cheshire, Connecticut 1990.
- Tufte, Edward R., *Presenting Data & Information Seminar*. Dearborn, Michigan, April 16, 2004.
- Tufte, Edward R., *The Visual Display of Quantitative Information*. Graphics Press, Cheshire, Connecticut 2001.
- Tufte, Edward R., *Visual Explanations*. Graphics Press, Cheshire, Connecticut 1997.
- Voss, Ph.D., B. Margaret, *Dealing with Difficult People*, Michigan Adjusters Association, Lansing, Michigan, May 18, 1990.
- Winer, Ph.D., Leon, *Teaching Marketing Skills and Content with Negotiation Role Play: A Case History*, The Lubin School of Business, Pace University, New York, December 1994.

APPENDIX A

Course Syllabus

Instructors & Posted Office Hours:

Who Should Take This Class?

Anyone can haggle or bargain. Just go to a weekend flea market or garage sale, and practice. If you are interested in developing principled negotiation and persuasive presentation skills that you can use to develop and maintain long-term, professional business relationships in the insurance and risk management field, take this course. To understand examples used in this course and the major assignment in this course, it is very important to first complete IRM 221 Principles of Insurance and Risk Management, and IRM 323 Commercial Insurance (or currently completing IRM 323).

Course Description:

An examination of negotiating techniques, construction of a persuasive argument, assembly of information to support positions and proposals, use of spreadsheets and presentation software to create professional documents and presentations to support positions and proposals, such as the development of a new product or the sale of a new insurance coverage to a risk manager or new exposure to an insurance/reinsurance underwriter. 3 credit hours. Prerequisites: IRM 221; 323 (may take concurrently).

Course Outcomes:

Upon completion of this course, you should be able negotiate business propositions, and create persuasive presentations including written documents and illustrations, and oral presentations. This course will also help you strengthen important team process and group collaboration skills, communication and analytical skills, and prepare portfolio exhibits.

Special Rules of Conduct for this class:

Given the nature of this course and your interest in strengthening skills in negotiation and persuasion, we must adhere to the following rules during this course:

Act ethically

Respect confidentiality of “inside information” provided to each side in a negotiating exercise

Recognize that while role-playing is not real, your behavior in the classroom is real, with real consequences, so take your role seriously

Don't take it personally – don't become extremely emotional or violent in a negotiating exercise

Adhere to the College Compact (a good habit to develop for life)

Activities & Resources:

Instructional methods will include reading assignments, discussion, a guest speaker, exams, team re-exams, role-playing exercises, speeches, team written report and oral presentation of a proposal to industry judges, and a final reflective essay. Meet with the instructor immediately if you have problems understanding the course material - we want you to be successful!

Color Printer, Binding Machine, Video Recording for Final Major Presentation

For this class, we have a color printer in Mott 408A available for printing of a limited number of pages in color for your final team written proposal (not every page, please), such as cover pages, and pages with graphs and maps; please request an appointment to use this, with Marie Steele *in advance*. We have a binding machine and limited supplies to help you produce the final professional written proposals; again, please request an appointment to use this, with Marie Steele *in advance*. Finally, we will video-record your final team presentations; you may borrow the recording to copy for use in your portfolio (and to review how you did!).

Insurance Study Room

We will use the Insurance Room, Mott 405 for negotiating exercises, and you may use it for team meetings and practice of your final presentation. The Insurance Room is open for all insurance students and Gamma Iota Sigma members for study, team meetings, and instructor consultation, Tuesday through Friday, 8:30 am to 4:00 pm, except when scheduled for other activities, such as our negotiating exercises (check the schedule displayed by the door). Please contact Marie Steele in Mott 408A for access.

Gamma Iota Sigma

The activities of Gamma Iota Sigma, the national collegiate insurance and risk management society, are a very important supplement to your insurance education. *If you're an insurance student, you should be a member.* Our Chapter is consistently considered one of the best chapters in the nation. Membership offers a wide variety of opportunities to network with the professional business community and other insurance students, win scholarships, obtain internships, strengthen communication and leadership skills, develop portfolio exhibits to meet almost any learning outcome, and obtain a job upon graduation. You may also transfer into the *Gamma Iota Sigma Seminar*, which will help you complete a portfolio while focusing on activities in your area of interest.

Evaluation Procedures & Grading System:

Your course grade is based on the following points:

Activity:	Possible Points:
Insurance Cover Letter Exercise	25
Speeches - 2 @ 50 points	100
Negotiation Exercises - 4 @ 50 points; missed/lowest score dropped	150
Exams - 3 @ 30 points; missed/lowest score dropped	60
Team Re-exams - 3 @ 30 points; missed/lowest score dropped	60
Team Proposal and Presentation (Written 100 + Oral 100)	200
Final Reflective Essay	25
TOTAL POSSIBLE POINTS	620

Grade appeals:

Grade appeals may be submitted by a team on any individual exam and team re-exam. All grade appeals must be in writing. No individual appeals may be submitted. If points are granted on appeal, the points are given only to the individual members of the team that appealed.

The grading scale is listed in the table below. Your grade will be based on the points you have earned, divided by total possible points from the table above.

100-93	A	89-87	B+	82-80	B-	76-73	C	69-67	D+	62-60	D-
92-90	A-	86-83	B	79-77	C+	72-70	C-	66-63	D	59-0	F

Attendance:

It will be difficult to achieve the objectives of this course without maximum participation in our class meetings. Absence, except for designated Team Meetings, will not result in a loss of points, but it would be difficult to pass this course if classes are missed, due to the points earned in classroom exercises and participation. Missing classes with designated Team Meetings will result in a loss of 5 points for each absence. Extended Thanksgiving break and deer hunting is not excusable.

Punctuality:

Required when we have a guest speaker, industry participants, or class exercises. Make a good impression on our special guests – they may be your future employer, and be considerate of others by attending class on time. Grade points will be deducted for students that arrive late and other inconsiderate behavior.

Missed Assignments:

Your grade is based on the quality of work that you do in this class, as your compensation will be when you are a professional – you must learn, if you haven’t already, that you can’t miss work without consequences. Class exercises, exams, or the final essay may not be submitted or taken after the scheduled date – “no make-ups.” NOTE: *Since this is a college class, you’re still learning to be a professional, and you may have other priorities such as an athletic event, you may miss one exam and negotiating exercise without penalty or your lowest exam and negotiating exercise scores will be dropped before the final grade calculation.*

Athletes:

If you participate in one of our varsity or junior varsity sports, and you must miss a class for a scheduled competition, please remember that class negotiating exercises and team presentations can’t be replicated. If you miss an exam or negotiating exercise for an athletic event, it will count as your optional exam or negotiating exercise, and it won’t count against you.

Plagiarism: Any student caught representing someone else's work as his or her own or cheating in any way, will suffer a failing grade on the work in question, failure of the course, or suspension or dismissal from the College. The instructor is required to report all violations to the Dean of Student Life.

Required Text:

Lewicki, Barry, Saunders, *Essentials of Negotiation*, McGraw-Hill Irwin, 4th Edition, 2007

Course Outline and Assignment List:

Reading assignments must be read prior to classes on the dates indicated below. This includes handouts located in our Blackboard course site, under “Course Documents” for IRM 350 Negotiations & Persuasive Presentations. While we will cover all of the topics below, there could be a slight adjustment in the schedule below; any change will be announced before the affected class meeting, as far in advance as possible.

Date:	Due at Start of Class:	Topic:	Class Activities:
Thu, Aug 28	No assignment due	Course Introduction	Review Syllabus Form Teams Discussion
Mon, Sep 1	No Class – Labor Day Holiday		
Thu, Sep 4	Read handouts on: Written Proposals Oral Presentations Major Course Project Judges’ Assessment	Creating Persuasive Written Proposals Oral Presentations Major Course Project	Discussion Introduction of major course project & basis for evaluation Initial Team Meetings
Mon, Sep 8	Read handouts on: Account Research Data Presentation	Account Research Data Presentation	Discussion Team Meetings
Thu, Sep 11	No assignment due	Insurance Proposals	Guest Speakers
Mon, Sep 15	Submit Insurance Cover Letter prior to class; Prepare to “sell a product” in 3 minutes	Sales Presentation	Speech 1
Thu, Sep 18	No assignment due	Sales Presentation	Speech 1, cont’d Review for Exam 1
Mon, Sep 22	Review handouts for exam Complete Personal Negotiating Survey	Written Proposals, Oral Presentations, Account Research, Data Presentation	Exam 1 Team Re-take Personal Negotiating Survey
Thu, Sep 25	No assignment due	Course Project	Review Exam 1 Results Team Meetings - Project
Mon, Sep 29	No assignment due	Peppulor Pricing	Negotiating exercise 1 Discussion
Thu, Oct 2	Read Chapter 1	Nature of Negotiation	Discussion Team Meetings
Mon, Oct 6	Read Chapters 2 & 3	Distributive Bargaining & Integrative Neg	Discussion Team Meetings
Thu, Oct 9	Read Chapters 4 & 5	Strategizing & Planning, Perception, Cognition & Communication Review Chapters 1-5	Discussion Review for Exam 2 Team Meetings
Mon, Oct 13	Review for Exam 2		Exam 2 Team Re-take
Thu, Oct 16	No Class – Gamma Iota Sigma Annual Conference		

Date:	Due at Start of Class:	Topic:	Class Activities:
Mon, Oct 20	Read Chapter 6 & "7 Elements" Handout	Perception, Cognition & Communication, and Principled Negotiation	Review Exam 2 Results Discussion Intro to Sally Soprano
Thu, Oct 23	Negotiation worksheet due	Sally Soprano	Negotiation exercise 2 Discussion
Mon, Oct 27	Read Chapters 7, 8, 9	Power, Ethics, & Relationships	Discussion Team Meetings
Thu, Oct 30	Read Chapters 11 & 12	International Negotiating & Best Practices	Discussion Review for Exam 3 Team Meetings
Mon, Nov 3	Review for exam	Chapters 7-9, 11, 12	Exam 3 Team Re-take
Thu, Nov 6	Negotiation worksheet due	Job & Salary Negotiation	Review Exam 3 Results Negotiation exercise 3 Discussion
Thu, Nov 6 5:00 pm	<i>Deadline to email <u>Final</u> Team Written Proposal (and PowerPoint Presentation, if any) to both Instructors</i>		
Mon, Nov 10	Read Insurance Negotiations Handout	Insurance Negotiations	Discussion Intro of Insurance Neg Review, Critique Proposals
Thu, Nov 13	Negotiation worksheet due	Insurance Negotiations	Negotiation exercise 4 Discussion
Mon, Nov 17	No assignment due	Personal negotiating style "Thinking on your feet"	Personal Negotiating Survey Re-take Speech 2 - Impromptu
Thu, Nov 20	No assignment due	"Thinking on your feet"	Speech 2, cont'd
Mon, Nov 24	No assignment due	Major course assignment	Team Meetings – final prep and practice
Thu, Nov 27	No Class – Thanksgiving Holiday		
Mon, Dec 1 10:50 am to 3:00 pm	All Team Written Proposals (and PowerPoint Presentations, if any) With Adjustments due	5 20-minute presentations without other teams present 10-minute assessment breaks between	Team Presentations to Industry Judges [broker partner] in the Mott Insurance Conference Room 405
Thu, Dec 4 10:30 am to 12:30 pm			Presentation Debrief Final Reflective Essay

APPENDIX B

Written Insurance Proposal

Basic Rules

- Fonts
 - Serif (Times New Roman) for paper documents
 - Sans Serif (Arial) for electronic documents or messages
- Left Justify (easier to read)
- Use italics, bold and underline features in moderation

- Separate subjects with white space
- Use headings to divide into sections and organize document

- Don't use unnecessary words
- Don't write in a condescending manner

- Know your audience, but above all, know your content

- Be factual, specific and reliable

- Remember, you're in this for the long-term:
 - develop a strong, positive, honest reputation
 - develop a professional relationship with your underwriters – respect them and they'll respect you
 - don't waste everyone's time

The Submission

- Submit with as much lead time as possible – underwriters prefer two to four weeks of lead time to quote an account (more if the account is very complex)

- Submit account to insurer likely to write account and issue a policy on a timely basis

- Anticipate the information needed and desired by the underwriter

- Remember your time constraints; weigh the cost of additional information in terms of time and money – but remember the greater the uncertainty about an account, the greater the premium (if the account is written)

Structure

- Cover & Binding

- Cover Letter
 - emphasize attractive features of the account
 - include personal knowledge of the account
 - include applicant's business history and reputation
 - include applicant's attitude on accident and loss prevention
 - include pricing structure needed to write the account

- Table of Contents

- Completed Application – ACORD or Insurer's Own Application
 - Identify all named insureds; do not use *et al.*
 - Inactive entities may still need protection

- The broker should never sign the *applicant's* signature
- Executive Summary - Exposure & Coverage
- Descriptive Narrative
- Annual Reports & Financials – audited; 10K Reports (filed with the SEC by most publicly traded companies).
 - If a privately owned firm is reluctant to provide financial statements, offer to sign a confidentiality agreement.
 - Submit a Dun and Bradstreet report if available.
 - Provide a banking reference – the name and phone number of the officer handling the applicant's account, or a letter signed by an officer of the bank describing the length and nature of the bank's relationship with the applicant and the applicant's average balance.
- Product Information
- Photographs and videotapes
- Loss Experience
- Current carrier inspection and loss prevention reports if possible
- Previous insurers

Content

- Place charts, pictures etc. as close as possible to the relevant text – inserted in the text would be ideal.

And finally...

Personally deliver and present important accounts. Make an appointment in advance with all who will make the underwriting decision.

For large submissions, consider delivery on an cd or provide underwriter with access to a private, restricted access website containing the data for the account.

Advice from Andrew Stout of the Harrington Syndicate, underwriter at Lloyd's:
 “Do your preparation work, don't bullshit - admit when you don't know something, go get additional information if needed, distill detail, use color illustrations, disclose problems with the account, and know the material.”
 (Stout, May 6, 2004)

REFERENCES

- Amrhein, Christopher J., Daniel P. Hussey Jr., *Agency Operations and Sales Management*. Edited by Christine O. Quay, Malvern, PA: Insurance Institute of America, 2002.
- Amrhein, Christopher J., Daniel P. Hussey Jr., *Multiple-Lines Insurance Production*. Malvern, PA: Insurance Institute of America, 2002.
- Feldhaus, William R., ed., *Surplus Lines Insurance Practices*. Malvern, PA: Insurance Institute of America, 1996.
- Lindsell-Roberts, Sheryl, *Technical Writing for Dummies*. New York: Hungry Minds, Inc., 2001.
- Locker, Kitty O., *Business and Administrative Communication*. Irwin McGraw-Hill 2000.
- Trupin, Jerome, Daniel P. Hussey Jr., *Foundations of Insurance Production*. Malvern, PA: Insurance Institute of America, 2002.
- Tufte, Edward R., *Presenting Data & Information Seminar*. Dearborn, Michigan, April 16, 2004.

APPENDIX C Oral Presentation

Be very careful with PowerPoint

- Use to illustrate important points and guide audience through a difficult or complicated proposal
- Not for text of presentation or the actual proposal – audience should have that in front of them
- Avoid fluff – superficial lists of things that do not need illustration
- Avoid meaningless graphics and especially avoid clip art
- Don't let it become your presentation. You and your proposal should command their attention. Focus on content; give them a substantial paper hand-out – four 8 ½ by 11-inch pages can provide up to 60,000 characters of words and numbers, the content-equivalent of 50 to 250 typical PowerPoint slides of text (Tufte, p. 24)
- Use multi-variate data – give data more meaning. Study loss runs for significant trends and changes over time. What can the trends or changes be attributed to? Environmental catastrophes? Changes in management? Changes in products or services? Changes in the law or court awards? Changes in the economy? Try adjusting losses for inflation (use the Consumer Price Index published by the government). Loss run information trends difficult to show as a table on a slide. If trends are important, produce a graph in Excel with extensive data, and add text boxes to point-out or label reasons for trends and changes. See good examples any day in the Wall Street Journal.

“Presentations largely stand or fall depending on the quality, relevance, and integrity of the content. The way to make big improvements in a presentation is to get better content.

“Designer formats will not salvage weak content. If your numbers are boring, then you've got the wrong numbers. If your words or images are not on point, making them dance in color won't make them relevant. Audience boredom is usually a content failure, not a decoration failure.” (Tufte, p. 24)

Principles of Presentations

1. Show up early – welcome attendees - solve problems
2. Best order for presentations: problem, relevance, solution; or
 - a. bait with an error at beginning – dangerous (avoid)
 - b. start with vacation slides – dangerous (avoid)
3. Never apologize
4. Don't use “I” or “We” in the beginning
5. Particular - general (relationships) - particular (reinforce)
6. A law - give at least one piece of paper - leaves traces
7. Remember your audience can read WSJ (highest resolution - best layout designs)
8. We can do better than PPT presentations
9. Audiences deserve your respect – they are probably like you - know your content (rather than know your audience) – don't patronize - overestimate them
10. Humor - memorable reinforce contextual
11. Don't use masculine pronouns universally - use “they” or “their” (ok in verbal presentation)
12. Move around - get close to audience - be expressive
13. Finish early

A Few more tips:

- practice, practice, practice
- rehearsal improves performance
- video tape - watch tape fast & slow
- listen to audio only (catch fill-in words “um,” “basically,” “and”)
- get better content

REFERENCES

Tufte, Edward R., *The Cognitive Style of PowerPoint*. Graphics Press, Cheshire, Connecticut 2003.

APPENDIX D

Insurance Account Research

Obtain a copy of the Request for Proposal (RFP) or specifications, if any, that identify the products or services desired. This will usually include information about the exposure, period of coverage, coverages, locations, limits, endorsements, insurance company rating requirements (“Best’s A or better”).

Identify what your client wants and what your client needs.

Write clear notes throughout your research process, and always clearly label the source so you can find it again – this will save you a lot of time later when you find out you have to go back to get additional information.

Be aware of deadlines and the cost of information. At some point, you’ll have all the information you can get at a reasonable cost – it will be time to make a decision and submit the account. But remember the underwriter’s rule: the greater the risk [uncertainty or lack of information], the greater the premium.

Listen a lot.

Get to know your customer’s exposure inside and out:

- Think like a risk manager when you identify and analyze exposures.
- Look at loss experience – high frequency and severity will identify problem areas.
- Talk to experts in your office – other brokers that have placed similar accounts before, other underwriters that have written similar accounts before.
- Look at what previous brokers did, but don’t rely solely on what they did, especially if they didn’t graduate from Olivet College. With your higher standards of professionalism, you are here to add greater value to the insurance transaction.
- Check industry trade periodicals for information on the type of account that you’re dealing with.
- Check with A.M. Best’s Underwriting Guide and Loss Control Guide to identify potential problems with the account first.
- Get a clear idea of all exposures involved in the account – even if you’re not handling the entire account, other aspects of the account could have a negative impact on the exposure that you’re dealing with. As talented professional, you will probably get the chance to handle the entire account some day.

Sources: in addition to the application and the client, check the following:

- Customer’s website – be sure to look at operations, locations, promotional information about the products or services of your client, “promises” made by the client, other products, financials, 10-K report if publicly traded.
- Competitors and their websites – what services are normally provided by this type of business.
- Client’s annual report and sales literature.
- The related trade association and trade periodicals – common issues in your client’s field.
- Packaging and distribution used by the client
- Site visit.

Learn the terms of art, common phrases, abbreviations, and acronyms used in your *client’s* field.

Always adhere to the principle of *uberrimae fides* and the highest standards of ethics – it will ensure your long-term success.

APPENDIX E Data Presentation

“Excellence in statistical graphics consists of complex ideas communicated with clarity, precision, and efficiency. Graphical displays should:

- Show the data
- Induce the viewer to think about the substance rather than about methodology, graphic design, the technology of graphic production, or something else
- Avoid distorting what the data have to say
- Present many numbers in a small space
- Make large data sets coherent
- Encourage the eye to compare different pieces of data
- Reveal the data at several levels of detail, from a broad overview to the fine structure
- Serve a reasonably clear purpose: description, exploration, tabulation, or decoration
- Be closely integrated with the statistical and verbal descriptions of a data set...graphical excellence requires telling the truth about the data.”

(Tufte, *Visual Display*, p. 13)

Nine Grand Principles of Design

1. Show comparisons
2. Show causality – overlay other trends in that industry? Inflation? Insert text boxes to note significant events that influenced changes in data
3. Show multivariate data - *try to maximize content, information and meaning by using 3 or more variables on 2 dimension display – go for data density – high resolution* - graph loss data to include:
 - a. frequency (number over time)
 - b. severity (dollar amount per loss) adjusted for inflation
 - c. growth of revenue for the business
 - d. loss ratios for this type of business (if available)?
 - e. labels at a point in time explaining a change that effects loss trends or other trends in that industry?
4. Integrate words, image, and numbers (Minard put six variables in the “Napoleon’s March” graph)
5. Document sources to add credibility
6. Qualify relevance to demonstrate integrity of content
7. Comparisons adjacent in space - avoid temporal stacking - in writing, use side notes rather than footnotes – provide a closer link to the text for greater ease in reading and understanding
8. Use small multiples – detail adds credibility - avoid suspicion of evidence selection!
9. Show scales of measurement - add grid - shorter scale shows variation of slopes - aspect ratios should be 1 up and 1 down - be lumpy - more to see - small but effective marks
 - a. Direct labels are preferred - avoid codes - minimize pointer lines
 - b. Proportionality - avoid rainbow of colors

Rules of Magic – the opposite of “clarifying material” – misdirection

- don’t tell them what you’ll do
- never repeat a trick

So, you want to do just the opposite!

(Tufte, *Visual Explanations*)

Presenting Financial Data

1. Assessment of change:
 - a. don’t need to show zero point
 - b. focus on change

- c. more data horizontally
 - d. extremes – go back to average (regression to mean) to avoid random shock, which causes a problem in analysis
 - e. caused by intervention? separate causes? *look in context – do not quote data out of context*
 - f. maintain proportionality in numerical quantities
- (Tufte, *Visual Display*, pp. 74-75)

2. Don't waste the power of data graphics on simple linear changes, which can be summarized in one or two numbers. Use data graphics to show
 - a. average variability (Tufte, *Visual Display*, p. 30)
 - b. micro macro design overview & detail - helps credibility - fever chart (Tufte, *Envisioning Information*, chapter 2)
3. Standardization - **adjust out inflation** (Tufte, *Envisioning Information*, p. 38)
4. Add footnotes - source explanations - question lack of footnotes
5. Annotation is 95% mostly descriptive – show causality – label data – annotate with a light line to the side (Tufte, *Envisioning Information*, pp. 56-57)
 - a. or insert a text box in a graphic noting a point where a risk management technique is implemented, a new production process is begun, an new plant is added
6. Use standard presentation - get content right - copy graphic presentations in the *Wall Street Journal* or *New York Times*, or any sports section performance tables (Tufte, *Visual Display*, chapter 9)

Mapping Exposures:

Dr. John Snow used statistical graphics to discover the cause of the cholera epidemic in London during September 1854, and stopped it! He mapped the outbreaks on a London street map and noticed a cluster around the Broad Street water pump. The authorities immediately removed the pump-handle and the epidemic soon ended. (Tufte, *Visual Display*, p. 24; *Visual Explanations*, pp. 30-31, 35)

Historically, underwriters used “Sanborn” maps to avoid concentration of exposures. Today, reinsurers use catastrophe models to map the property exposures underwritten by property insurers. Mapping may also be useful in identifying other geography-related exposures. Underwriters will be interested in locations of exposures in California relative to earthquake fault lines; in Florida relative to historical paths of hurricanes; in countries with political risk; in countries with terrorism risk. Underwriters are also concerned about the concentration of values at one location. Brokers may use mapping to illustrate the wide geographic distribution of multiple property locations in a large account to make an account more attractive if the account is widely dispersed and not in areas of concern (natural catastrophes, political risk, terrorism risk). (Tufte, *Visual Display*, pp. 16-17)

Risk Quantification:

A major broker has assisted the risk manager of a major manufacturer in integrating the use of spreadsheet and presentation software to identify the values of projected income at each location, and how the location supports activity at other locations to identify potential bottlenecks and business income loss potential. A visual that has done more than words to convince senior management for the need to invest in various risk management approaches to prevent and minimize losses (separation, duplication, loss control, financing).


PowerPoint Presentations:

- Bullet lists are often overly simplistic, feel good, for marketing – but do not inform. Lou Gerstner required strategic plans in longhand and presentations without overheads - just talk

- The Harvard “6x6 rule” (six words per line, six lines per slide) probably came from George Miller’s psychology paper. Except that section of his paper referred to remembering *nonsense syllables* – the remainder of his paper talked about how to understand longer more complex ideas. So, don’t follow this rule!
- Use a printed hand-out instead!
 - High resolution printed transmission – preferably one page – able to illustrate spatial relationships
 - A 11x17 page folder 50 to 250 equivalents of information in PowerPoint slides & leaves a trace, i.e. a “take-away”
- Read the article at: <http://www.edwardtufte.com/tufte/tenquestions>

Other Tips:

- High resolution of detail - more inactive - not more difficult to read or fix *design*
- To clarify - *add* detail
- Do no harm to content
- Boring? Get better numbers
- See – have insight – assist thinking – identify the thinking task – what isn’t there?
- Want instant understanding? Directly connect a visual with written text by inserting word size graphics inserted in a narrative, referred to as “spark lines”:

“The 2002 oil rig loss was an exception in a relatively favorable  5-year loss history.”

 - Insert Chart; reduce graphs; remove axes & grid lines (not really a new idea – Galileo Galilei inserted a graphic of the shape of the planet Saturn in the text of his notebook, *Istoria e dimostrazioni intorno alle macchie solari...* in 1613.)
 - Use a graphic when displaying more than 200 numbers
- Don’t use the presentation of data to show-off design ability
- Avoid distracting “vibrating” patterns filling in bar graphs or pie charts – use shades of gray
- Mute grids so they don’t compete with data
- Use thin lines rather than bold lines to avoid distractions (Tufte, *Envisioning Information*, pp. 62-63)

Principles of Data Graphics:

- Above all else show the data.
- Maximize the data-ink ratio.
- Erase non-data-ink.
- Erase redundant data-ink.
- Revise and edit.

When information cannot inform or persuade, talk. Ask *informed* questions. Get information that *will* inform and persuade.

REFERENCES

Tufte, Edward R., *The Cognitive Style of PowerPoint*. Graphics Press, Cheshire, Connecticut 2003.

Tufte, Edward R., *Envisioning Information*. Graphics Press, Cheshire, Connecticut 1990.

Tufte, Edward R., *Presenting Data & Information Seminar*. Dearborn, Michigan, April 16, 2004.

Tufte, Edward R., *The Visual Display of Quantitative Information*. Graphics Press, Cheshire, Connecticut 2001.

Tufte, Edward R., *Visual Explanations*. Graphics Press, Cheshire, Connecticut 1997.

APPENDIX F Cover Letter Exercise

Scenario:

You are the broker for Olivet College, and you have access to a new market, ABC Insurance Co. ABC has had a reputation for writing property, liability, and workers compensation insurance on colleges around the country, but they do not currently have any accounts in Michigan. Your job is to access this market with your new underwriting contact and try to get the underwriter to insure the account for you and your customer. In the end you are looking to expand your operations in colleges/universities around the Michigan area, so you hope the underwriter can get this done and you can work on more accounts similar to this in the future.

Assignment:

Catch the underwriter's attention with a creative insurance cover letter proposal for property, liability, and workers compensation insurance for Olivet College. Since you are the broker on this account, you should have more than enough information to get the underwriter's attention and time on this account.

Limits:

Property – \$40,500,000 with \$5,000 deductible

General Liability – \$2,000,000 general aggregate; \$1,000,000 each occurrence

Workers Compensation – Statutory, with employer liability limits of \$5,000,000

Sources:

1. Remember to refer to suggested content in the outline on Written Insurance Proposals, and Account Research covered in class.
2. Pay close attention to ideas and examples on submission protocol presented by our upcoming guest speakers from Aon.
3. ACORD Applications – already completed and posted in Blackboard – these are sent with the cover letter to give the basic needed information to the underwriter. You will need the ACORD Commercial Insurance (summary), Property, Commercial General Liability, and Workers Compensation applications for this assignment. ABC Insurance Co. requires that these ACORD applications be sent in with the submission. *For this particular assignment only*, please submit the cover letter only; please refer to the ACORD applications as “enclosed,” but do not submit them; we are just interested in the content and layout of your cover letter for this assignment.
4. www.olivetcollege.edu
5. Save the underwriter's time! Use AM Best Underwriting guide (posted in Blackboard) and other insurance periodicals (*Insurance Journal*, *Business Insurance*, *National Underwriter*, and more) to start assessing the risk for the underwriter. Underwriters appreciate all the information they can get on the account so they can make an informative decision to accept the risk.

CREATIVITY COUNTS!

APPENDIX G

Insurance Negotiations

Remember This:

The broker – underwriter relationship is a long-term relationship by nature (both sides better hope it is!).

The insurance transaction does not involve a fixed pie – there are many variables – it’s possible to achieve win-win solutions – one party doesn’t have to lose if the other party wins.

The win-win will preserve the long-term relationship and can gain more value for *all* the parties in the long run. Remember the Populator exercise.

Special Note:

Most of our discussions and examples, including this hand-out, will refer to the broker – underwriter transaction. *This can also apply to the primary underwriter – facultative reinsurance underwriter transaction as well.*

Some general rules about insurance negotiation:

Know your opponent and prepare for the meeting

- Style of doing business – tailor your approach (see “Types” below)
 - Difficult? (see below)
 - Nonconfrontational
 - Fun or serious?
 - Appreciate the relationship or get to the bottom line
 - Highly competitive? Get what you need and let the other claim “victory”
- What does the other party want from the negotiation – what are their interests?
 - Low price is important, but you get what you pay for – do you want the cheapest coverage when you have a claim? Offer the exceptional value for the breadth of coverage
- Create an agenda for the meeting in collaboration with other party (to focus on needs, manage time, maintain professionalism, and to control “hidden agendas”)
 - Discuss *interests* of each party – and short term and long term objectives
 - Ask other party for information that is lacking
 - Discuss options if appropriate
 - Discuss adjustments to options
 - Agreement on a defined option
 - Discuss and agree to implementation steps

Meeting place

- It’s easier to walk out of their office
- It’s easier to control pressure in your office
- Offering to go to their office shows good faith
- Neutral setting is best for tough sessions

Opening ceremonies

- Introduce everyone
- Build rapport and comfort level
- Agree on objectives of the meeting
- Volunteer to do the paperwork, to take notes on what is being agreed upon – the person who takes the notes is more likely to be the one that is happier with the results
- Follow an agenda (above)

Avoid single issue negotiation – this results in “win-lose” – create a “problem-solving” environment and use a collaborative approach

- Don't leave agreement on price until the end; don't agree on all the other terms first. Put all of the following on the table – coverage benefits, services, price and payment plans – negotiate in groups of items. For example, price can be lowered with change in coverage.

General tips

- Almost everything is negotiable
- Always listen carefully to the other party
- Never negotiate when you are tired, hungry, or angry
- Once you “put a number on the table,” do not put out another number before the other party puts a number out
- Do not feel that you have to fill silence – some may use this tactic to get you to concede more – use the time to review what has been said and consider alternatives
- Don't get emotional; don't let your ego get involved
- Allow for the possibility of not reaching agreement; know your real BATNA; don't let yourself get into a desperate position where you must get an agreement (the outcome won't be favorable) – be prepared to walk out in a positive way (“look forward to working with you in the future”)
- Realize that you are not weaker or stronger than your opponents – you share goals and are in a position to trade to attain your objectives

Avoid milking the win

- When you have all the leverage – for example, the only coverage available – don't push the advantage too far – don't tell them they're lucky to get the coverage at any price – remember the market will turn one day and you'll be looking for clients – find ways to do a little extra for the client

Always deliver more than promised

- An unexpected bonus will be long remembered. Do business with the client; refer business to the client.

Review what happened in your negotiation

- What worked well?
- What could have been done differently or better?
- What can you do to improve for next time?

Tips for the Broker Selling an Account to the Underwriter:

- Submit business within the underwriter's authority, within the insurer's guidelines – don't waste each other's time
- Submit acceptable classes of business that meet the underwriter's personal preferences and expertise – in the long run they will provide the producer with valuable technical advice and support, and creative insurance programs that will benefit the producer's reputation
- Provide the underwriter with accurate and complete information with which to make a decision – within the guidelines, all information requested in the ACORD or insurer application, complete schedules of property to be insured, photos are helpful, COPE information for property, complete description of all operations in case an extra endorsement is needed for full coverage, loss reports, and information that you know the underwriter believes necessary, and present it in a legible and easy to understand proposal
 - The broker is not trying to “trick” an underwriter into writing something that the broker knows will have a loss; the broker and the underwriter are partners in financing risk, spreading the unbearable losses of a few over many for a fair premium – the broker and underwriter are in business together for the long run
- Gain the underwriter's trust through an open, honest exchange – remember *uberrima fides* – the underwriter may tell you how to make the account acceptable – remember your reputation will be passed on to new underwriters as they come along
 - Disclose the bad with the good
 - The more information the underwriter has, the more flexible an underwriter can be
 - Less information – greater uncertainty – greater premium
 - A broker not trusted by underwriters faces an enormous competitive disadvantage

- Understand the time needed by the underwriter to make a decision; complex accounts may require sixty to ninety days before policy inception
- When an account is rejected, ask why – learn from the experience and save time in the future

Adjust negotiating approach to account for differences in personality, gender & culture

- Pacing: fast or slow?
- Formality: high or low?
- Physical proximity while talking: close or distant?
- Oral or written agreements: which are more binding and inclusive?
- Bluntness of communication: direct or indirect?
Time frame: short-term or longer?
- Scope of relationship: business-only or all-encompassing?
- The expected place of doing business: private or public?
- Who negotiates: equals in status or the most competent people for the task?
- Rigidity of commitments: written in stone or meant to be flexible?

Dealing with Difficult People

- Use straight, open body posture
- Use fewer, more deliberate gestures
- Focus on solutions – listen until they “wind down” and say, “I can see this is a big problem for you; let’s see what we can do to solve it.”
- If the other party is too emotional, say, “I can’t listen to you when you use that tone of voice; perhaps we should discuss this later when you’ve calmed down”
- Don’t “personalize” situations; don’t blame individuals - refer to positions taken by the other parties *organization*; don’t embarrass the other party
- When dealing with passive people, reward those that contribute; let them share opinions privately or in writing if they prefer

Dealing with Certain Personality Types

Analytical

- Remain professional
- Don’t rush or pressure
- Provide data and details

Driver (aggressive)

- Identify their real issue
- Be firm, but don’t challenge
- Let them feel the win

Expressive

- Be enthusiastic and animated
- Focus on the big picture
- Make him/her a hero

Amiable

- Relationship first
- Be relaxed and informal
- Provide security and assurance

REFERENCES

- Amrhein, Christopher J., Daniel P. Hussey Jr., *Agency Operations and Sales Management*. Edited by Christine O. Quay, Malvern, Pennsylvania: Insurance Institute of America, 2002.
- Fisher, Ury, Patton, *Getting To Yes*. Houghton Mifflin, 1991. (pp. 166, 167)
- Lucas, Ph.D., George, *Strategic Negotiation Skills Workshop*, Marsh Graduate Training Program, February 2003.
- Negotiating for Fun and Profit*, Risk and Insurance Management Society Annual Conference, New Orleans, April 16, 2002.
- Voss, Ph.D., B. Margaret, *Dealing with Difficult People*, Michigan Adjusters Association, Lansing, Michigan, May 18, 1990.
- Winer, Ph.D., Leon, *Teaching Marketing Skills and Content with Negotiation Role Play: A Case History*, The Lubin School of Business, Pace University, New York, December 1994.

APPENDIX H GUIDELINES FOR INSURANCE NEGOTIATING SLIDE CONTENT

Underwriting Negotiation in Hard and Soft Insurance Markets

- Alternatives
- Interests
- Options
- Legitimacy
- Communication
- Relationship
- Commitment

Guidelines for Negotiation: Alternatives

- Identify your BATNA (Best Alternative To Negotiated Agreement) and anticipate other party's BATNA
- Disclose your BATNA *only* if it's strong, or better than they think
- Be aware of the danger of discussing BATNA
- Reality test their BATNA if needed
- Never agree to something worse than your BATNA

Guidelines for Negotiation: Interests

- Begin by understanding general interests (e.g. premium volume, capacity issues, client's needs), not specific positions
- Ask "why" to elicit the interests
- Use interests to generate options or vice versa
- Look for differences in interests to create value
 - Think of the long term professional relationship – some accommodations may be appropriate if you know it will generate other more profitable business that will offset a marginal account, to develop a profitable book of business

Guidelines for Negotiation: Options

- Explore interests before generating options
- Look for options that maximize value
 - Price – fixed price, loss-sensitive
 - Commission
 - Loss control improvements
 - Coverage
 - Policy period – annual, three-year
 - Triggers – occurrence, claims made, dual triggers
 - Limits
 - Attachment points
 - Claims services
- Separate option generating from option selecting
- If you get stuck, go back to the underlying interests
- Be open to better ideas

Guidelines for Negotiation: Legitimacy

- Use objective criteria to evaluate options
 - existing criteria (precedent, contracts, laws, client's loss history, independent loss control/underwriting guides, etc.)
 - those you can generate (3rd party opinion, new surveys, etc.)
- Avoid using only biased criteria
- Be open to persuasion (avoid positional debates over criteria)

- Consider what criteria would support their perspective, not just yours
- If you compromise, base it on standards

Guidelines for Negotiation: Communication

- Prepare questions you will ask and how you will ask them
- Think about the message that you want to send
- Negotiate the process first (set an agenda, clarify goals)
- Listen first, speak second
- Frequently summarize your understanding of what they are saying
- Explain your thinking

Guidelines for Negotiation: Relationship

- Assume a long-term relationship – and remember as the cycle changes, so does the leverage of the underwriter and broker
- Address relationship issues before substantive ones
- Be trustworthy, even if you don't trust the other party – this is a business of “uberrima fides”
- Remember that the ability to create value is tied to the quality of the working relationship

Guidelines for Negotiation: Commitment

- Negotiate first, commit later – after all options are addressed
- Always consider your BATNA before committing
- Make commitments clear and realistic
- Consider ongoing process commitments if substantive commitments are not possible
 - e.g. will continued coverage be conditional on implementation of specific loss control improvements?

Guidelines for Negotiation: Dealing with Difficult Tactics

- Take a step back, avoid reacting
- Diagnose the behavior
- Try to change the game
 - Shift to interests
 - Shift to options
 - Shift to legitimacy
- Name the game and negotiate the rules
- Change the players
- Go to your BATNA

Negotiating Exercise: Instructions for Role Playing

- Be yourself, not a caricature
- Agreement is not essential
- Do not reveal your instructions
- Do not make up additional facts
- If you finish early, try to make the deal better
- Please come back on time

REFERENCES

Seven Elements of Principled Negotiation Seminar, Insight Partners Inc. and Harvard Negotiation Project, 2003.

APPENDIX I
INSURANCE JOB AND SALARY NEGOTIATION EXERCISE

Job Negotiation Role Play

You'll engage in a job negotiation involving employment with CNA. If time permits, you'll have an opportunity to negotiate on both sides of the transaction. So it will be necessary to prepare two "7-Elements" worksheets (stored in Blackboard under "Course Documents – Lecture Notes that require advance reading"), one for each situation below. Your grade will be based on your 7-Elements worksheet and your actual negotiation.

INSTRUCTOR: Separate the information for each side below to keep each side confidential.

Applicant Role

You're graduating this spring from Olivet College with a four-year degree majoring in Insurance and Risk Management. You would like to obtain an entry-level commercial property-casualty insurance underwriting position with CNA in Chicago.

Your desired salary range \$40,000 to 45,000 (job is in a high priced city)
Student loans \$10,000
Moving expense \$2,500
New apartment security & utility deposits \$700

Employer Role

You're a human resources person for CNA in downtown Chicago. A graduate of the Olivet College Insurance Program has applied for an entry-level commercial property-casualty insurance underwriting position. You have a number of applications from other universities and colleges in the Midwest and East. You need to hire a commercial underwriter trainee to meet your quota for the month.

Benefits that you can offer:
Salary range \$35,000 to \$43,000
Health insurance
Retirement 401k
Life insurance
Vacation – 2 weeks first year, 3 weeks second year, 4 weeks third year
Signing bonus up to \$3,500
Moving expense up to \$5,000
Travel expense reimbursement – 1 conference per year, related to job
Educational tuition reimbursement - \$100 bonus per national exam; \$500 per series (INS, ARM)

APPENDIX J
Exercise: Negotiating in a SOFT Market
“Directors and Officers Liability for OC Automotive”

Confidential Instructions for the XYZ Insurance Company UNDERWRITER:

You are a D&O underwriter for XYZ Insurance Company, an A++ Best-rated, specialty insurer currently ranked 8 in premium volume in the excess and surplus lines insurance market. XYZ is noted for maintaining high underwriting standards, and excellent service levels, including the expertise and financial resources to handle large, complex D&O claims. XYZ also generally pays commissions that are 1 to 2 % higher than the average insurer in this market. XYZ is interested in maintaining long-term professional relationships with its brokers. You have specialized in underwriting small- to mid-sized publicly traded companies for several years.

OC Automotive is a well-managed, profitable, publicly traded company that produces parts for automobile manufacturers. Formed in 1964, OC is headquartered in Detroit, Michigan; with annual revenues are just over \$500 million. OC uses one of the large, reputable auditing firms. One shareholder suit was filed in 1993, but OC won the case in court.

The D&O policy of an A- Best-rated insurer that currently covers OC is up for renewal. OC’s current insurer offers low premiums but not much service. The broker representing OC has enjoyed an excellent, long-term, professional relationship with you and your company, and the broker would like you to quote the risk.

The D&O policy currently covering OC is a very basic, standard policy providing Side A and B coverage. Expiring policy information:

Limits	\$10,000,000 Per Incident	\$10,000,000 Annual Aggregate
Annual Premium	\$10,000	
Self-Insured Retention	\$1,000,000	
Side A & B only		
Occurrence trigger (not claims made)		
Indemnification Contract (not “duty to defend”)		
“Full Severability”		
“Entity Coverage”		

The insurance cycle has shown clear signs of a shift from hard to soft. You have lost several large accounts this past month, and there is some concern about the low level of business activity in your business unit. However, your company is noted for maintaining strong underwriting standards in the face of changes in the market. You also have a concern about the increased exposure anticipated from the Sarbanes-Oxley Act. Regardless, you would still like to write the OC account because it could be very profitable.

You are about to meet with the broker to discuss the OC account.

**Exercise: Negotiating in a SOFT Market
“Directors and Officers Liability for OC Automotive”**

Confidential Instructions for the BROKER representing OC:

You are an insurance broker specializing in mid-sized commercial accounts. You work hard to find the best coverage at the best price with a secure insurer, for your customers.

One of those customers is OC Automotive, a well-managed, profitable, publicly traded company that produces parts for automobile manufacturers. Formed in 1964, OC is headquartered in Detroit, Michigan; with annual revenues are just over \$500 million. OC uses one of the large, reputable auditing firms. One shareholder suit was filed in 1993, but OC won the case in court.

The OC account is up for renewal, and OC is very unhappy with its current insurer. The current insurer is an A- Best-rated company that offers low premiums and very little service.

You want to keep the account, and you would like to place the D&O liability with XYZ Insurance Company, an A++ Best-rated insurer, with a reputation for good service. You have enjoyed an excellent, long-term, professional relationship with the D&O underwriter at XYZ, and XYZ generally pays a higher commission. Unfortunately, XYZ usually charges higher premiums.

The D&O policy currently covering OC is a very basic, standard policy providing Side A and B coverage. Expiring policy information:

Limits	\$10,000,000 Per Incident	\$10,000,000 Annual Aggregate
Annual Premium	\$10,000	
Self-Insured Retention	\$1,000,000	
Side A & B only		
Occurrence trigger (not claims made)		
Indemnification Contract (not “duty to defend”)		
“Full Severability”		
“Entity Coverage”		

The insurance cycle has shown clear signs of a shift from hard to soft. You know this would be a good time to move the account from a low cost insurer to XYZ, perhaps at no price increase and perhaps with some coverage enhancements.

You are about to meet with the D&O underwriter for XYZ to discuss the OC account.

**Exercise: Negotiating in a HARD Market
“Directors and Officers Liability for OC Automotive”**

Confidential Instructions for the XYZ Insurance Company UNDERWRITER:

You are a D&O underwriter for XYZ Insurance Company, an A++ Best-rated, specialty insurer currently ranked 8 in premium volume in the excess and surplus lines insurance market. XYZ is noted for maintaining high underwriting standards, and excellent service levels, including the expertise and financial resources to handle large, complex D&O claims. XYZ also generally pays commissions that are 1 to 2 % higher than the average insurer in this market. XYZ is interested in maintaining long-term professional relationships with its brokers. You have specialized in underwriting small- to mid-sized publicly traded companies for several years.

OC Automotive is a well-managed, profitable, publicly traded company that produces parts for automobile manufacturers. Formed in 1964, OC is headquartered in Detroit, Michigan; with annual revenues are just over \$500 million. OC uses one of the large, reputable auditing firms. One shareholder suit was filed in 1993, but OC won the case in court.

The D&O policy of an A- Best-rated insurer that currently covers OC is up for renewal. OC’s current insurer offers low premiums but not much service. The broker representing OC has enjoyed an excellent, long-term, professional relationship with you and your company, and the broker would like you to quote the risk.

The D&O policy currently covering OC is a very basic, standard policy providing Side A and B coverage. Expiring policy information:

Limits	\$10,000,000 Per Incident	\$10,000,000 Annual Aggregate
Annual Premium	\$10,000	
Self-Insured Retention	\$1,000,000	
Side A & B only		
Occurrence trigger (not claims made)		
Indemnification Contract (not “duty to defend”)		
“Full Severability”		
“Entity Coverage”		

The insurance cycle has recently and abruptly shifted from soft to **hard** after many insurers posted bottom line losses and several major national insurers posted adjustments to loss reserves for last year. You know hard markets don’t last as long as soft markets, so this will be an important opportunity to strengthen profitability and surplus. Unfortunately, the broker for OC may have difficulty selling a significantly higher premium to a customer that has grown accustomed to low premiums. And you have a concern about the increased exposure anticipated from the Sarbanes-Oxley Act. Regardless, you value the professional relationship with this broker and you’re willing to consider the OC account, perhaps with some coverage changes to limit the premium increase.

You are about to meet with the broker to discuss the OC account.

**Exercise: Negotiating in a HARD Market
“Directors and Officers Liability for OC Automotive”**

Confidential Instructions for the BROKER representing OC:

You are an insurance broker specializing in mid-sized commercial accounts. You work hard to find the best coverage at the best price with a secure insurer, for your customers.

One of those customers is OC Automotive, a well-managed, profitable, publicly traded company that produces parts for automobile manufacturers. Formed in 1964, OC is headquartered in Detroit, Michigan; with annual revenues are just over \$500 million. OC uses one of the large, reputable auditing firms. One shareholder suit was filed in 1993, but OC won the case in court.

The OC account is up for renewal, and OC is very unhappy with its current insurer. The current insurer is an A- Best-rated company that offers low premiums and very little service.

You want to keep the account, and you would like to place the D&O liability with XYZ Insurance Company, an A++ Best-rated insurer, with a reputation for good service. You have enjoyed an excellent, long-term, professional relationship with the D&O underwriter at XYZ, and XYZ generally pays a higher commission. Unfortunately, XYZ usually charges higher premiums.

The D&O policy currently covering OC is a very basic, standard policy providing Side A and B coverage. Expiring policy information:

Limits	\$10,000,000 Per Incident	\$10,000,000 Annual Aggregate
Annual Premium	\$10,000	
Self-Insured Retention	\$1,000,000	
Side A & B only		
Occurrence trigger (not claims made)		
Indemnification Contract (not “duty to defend”)		
“Full Severability”		
“Entity Coverage”		

The insurance cycle has recently and abruptly shifted from soft to **hard** after many insurers posted bottom line losses and several major national insurers posted adjustments to loss reserves for last year. You know this will be a difficult time to move the account from a low cost insurer to XYZ.

You are about to meet with the D&O underwriter for XYZ to discuss the OC account.

APPENDIX K
Final Team Proposal & Presentation
Judge's Assessment

Team: _____

Please rate the team on a scale of 1 to 5 with comments as desired

- 5 – professional
- 4 – great potential
- 3 – getting by, but won't go far
- 2 – "I am persuaded...not to do business with you"
- 1 – "You're fired"

Comments, if any:

Basics

	On time	1	2	3	4	5	_____
	Printed Materials Ready	1	2	3	4	5	_____
	Smooth set-up of equipment	1	2	3	4	5	_____

Written Proposal

	Clean, Professional Appearance	1	2	3	4	5	_____
	Organized and Easy to Find Information	1	2	3	4	5	_____
	Easy to understand	1	2	3	4	5	_____
	Free of major errors – typos, grammar	1	2	3	4	5	_____
	Substantive?	1	2	3	4	5	_____
	Persuasive?	1	2	3	4	5	_____

Appropriate content:

	Cover	1	2	3	4	5	_____
	Cover letter	1	2	3	4	5	_____
	Summary	1	2	3	4	5	_____
	Application Information	1	2	3	4	5	_____
	Loss Information	1	2	3	4	5	_____

Presentation of Data

	Clear, Easy to understand	1	2	3	4	5	_____
	Useful	1	2	3	4	5	_____
	Informative	1	2	3	4	5	_____
	Meaningful, Substantive?	1	2	3	4	5	_____
	Innovative?	1	2	3	4	5	_____
	Support proposal?	1	2	3	4	5	_____
	Persuasive?	1	2	3	4	5	_____

Oral Presentation

Volume	1	2	3	4	5	_____
Variation in tone & pitch	1	2	3	4	5	_____
Eye Contact	1	2	3	4	5	_____
Minimal “ums” & “ahs” or distracting mannerisms	1	2	3	4	5	_____
Gestures	1	2	3	4	5	_____
Prepared, able to answer questions appropriately	1	2	3	4	5	_____
Communicate clearly?	1	2	3	4	5	_____
Confident?	1	2	3	4	5	_____
Persuasive?	1	2	3	4	5	_____

PowerPoint:

Familiar with equipment, no disruptions	1	2	3	4	5	_____
Used as crutch to support presentation	1	2	3	4	5	_____
Repeat of material in print	1	2	3	4	5	_____
Effective use to illustrate a point	1	2	3	4	5	_____

Negotiating Skills

Understand the needs of all parties (client, broker & insurer)	1	2	3	4	5	_____
Positive win-win approach	1	2	3	4	5	_____
Realistic objectives	1	2	3	4	5	_____
Persuasive?	1	2	3	4	5	_____

General Appearance of Presenters

Personally Well-Groomed	1	2	3	4	5	_____
Clean and Professional Attire	1	2	3	4	5	_____

Overall Presentation

Prepared, professional, and persuasive?	1	2	3	4	5	_____
---	---	---	---	---	---	-------

Serving as a Testifying Expert Witness in a Breach of Contract/Bad Faith Case: A Retrospective Analysis of an Illustrative Case

William Warfel
Indiana State University

ABSTRACT

In Spring 1997, the author embarked on a career as a testifying expert witness in breach of contract/bad faith Insurance and Risk Management (IRM) cases, as well as IRM agent/broker errors and omissions cases; the goal was to enrich the author's teaching and research, as well as to supplement his university income; since embarking on this career as a testifying expert witness in 1997, the author has been retained on both the plaintiff side and the defense side in about 90 cases in which either an expert report and/or deposition was required; several of these cases served as a basis for a publication in a refereed professional journal or a pedagogical journal, and many of these cases have been used by the author for illustrative purposes in the classroom.

The purpose of this teaching case study is (1) to present an illustrative first-party legal case in which the author was retained as a testifying expert witness by a plaintiff attorney, and reference how it can be used in the classroom to illustrate important IRM concepts in an introductory, undergraduate, IRM course, and (2) encourage IRM colleagues to serve as a testifying expert witness in IRM cases, thereby enriching their professional careers, while at the same time expose some of the practical problems commonly encountered when taking on an expert witness assignment on the plaintiff side; in this way, an IRM academic can develop a reservoir of experience that can be used by the IRM academic to enrich the classroom through the use of illustrative legal cases that demonstrate the application of important IRM concepts.

INTRODUCTION

While the author has been retained in several cases to testify on behalf of the insurer (the defense), most of the opportunities have been on the plaintiff side. Attorneys on the defense side (the insurer) tend to retain testifying expert witnesses who have spent a very substantial portion of their professional careers working for insurers as claim representatives adjusting insurance claims; the basis for their testimony usually is years of experience adjusting insurance claims, or supervising the handling of insurance claims. Attorneys on the plaintiff side are receptive to retaining IRM academics who have devoted most of their professional careers to teaching IRM, as well as legal concepts to undergraduate IRM students, some of whom become claim representatives for insurers upon graduation; the basis for the testimony of an IRM academic usually is knowledge of textbook IRM and legal concepts, as well as teaching countless undergraduate IRM students over the years, some of whom became claim representatives working for prominent insurers.

Usually the plaintiff attorney needs a testifying expert who can (1) undertake a detailed coverage analysis, identifying and resolving the key coverage issues that will ultimately determine the outcome of the breach of contract case (i.e., the insurer usually either denied the claim outright, or paid a substantially reduced amount), (2) undertake a detailed analysis of the handling of the insurance claim by the claim representative (e.g., the insurer unreasonably denied a policy benefit, or failed to conduct an adequate investigation, and subject the findings of such an investigation to a reasonable evaluation and review, meaning that the insurer processed the insurance claim in bad faith, and (3) apply basic legal concepts such as "notice" in evaluating the handling of the insurance claim.

Usually the goal of a plaintiff attorney in litigating an insurance claim is to overcome an insurer's Motion for Summary Judgment, which asserts that there was no breach of contract/bad faith as a matter of law. If such a

Motion is denied by the court, usually an out-of-court settlement can be obtained because the insurer is very reluctant to try an IRM case in a jury or bench trial because of the cost and uncertainty associated with such a trial. That being the case, an important role served by an IRM academic is to draft a Declaration opposing the insurer's Motion for Summary Judgment, asserting that, at a minimum, there are factual issues precluding the trial court from granting the insurer's Motion for Summary Judgment. If the trial court rejects the insurer's Motion for Summary Judgment, the plaintiff attorney usually is in a favorable position to negotiate an out-of-court settlement with the insurer. If, however, the trial court rules in favor of the insurer with respect to a Motion for Summary Judgment, then the case usually is dismissed with prejudice, meaning that the insurer wins as a matter of law, and an out-of-court settlement is not obtained, although the plaintiff attorney may file a Motion for Reconsideration with the trial court judge, or alternatively take the case to the appellate court. Appellate courts, as a general rule, however, tend to defer to the trial court judge unless there is a compelling reason to overturn the trial court decision. Thus, the financial stakes can be huge for the plaintiff attorney, who oftentimes take breach of contract/bad faith cases on a contingency fee basis, although the client may absorb the expenses of litigation such as an expert witness fee.

Of course, oftentimes an insurance claim in litigation is fraught with problems; otherwise, the insurer would have simply processed and paid the claim, thereby avoiding a potential bad faith allegation. The case may have some "bad facts," notwithstanding the fact that a strong case can be made by the expert to the effect that (1) the claim is covered under the terms of the applicable policy (i.e., there was a breach of contract), and (2) the claim representative failed to meet the standard of care in the jurisdiction in question with respect to the adjustment of the claim, and/or failed to conduct a proper investigation pursuant to the applicable Unfair Claims Settlement Practices statute. While "bad facts" arguably may have nothing to do with the substantive issues in the case, "bad facts" may be difficult to overcome in terms of receiving a favorable ruling from the trial court judge concerning an insurer's Motion for Summary Judgment on the breach of contract/bad faith issue.

In this teaching case study, an illustrative case is discussed in which the author served as a testifying expert witness on behalf of the plaintiff concerning an excavator theft claim the policyholder presented under a Commercial Inland Marine policy that was outright denied by the carrier. Most importantly, from a substantive standpoint, the plaintiff's case was very strong because (1) a reasonable investigation by the insurer would have uncovered indisputable facts that clearly indicated the plaintiff's excavator theft claim was legitimate as opposed to fraudulent, (2) the insurer completely ignored the distinction between inland marine insurance and property insurance in its processing of the excavator theft claim, meaning that a breach of contract was committed by the insurer, and (3) the insurer's strict reading of the Recovered Property condition was at odds with the intent of the parties to the contract, and the reasonable expectations of the policyholder. Notwithstanding this strong case, the trial court judge still granted the insurer's Motion for Summary judgment, and denied the plaintiff's Motion for Reconsideration, which was largely, although not exclusively, based on the author's Declaration. In carefully reviewing the trial court judge's lengthy, written ruling rejecting the plaintiff's Motion for Reconsideration, granting the insurer's Motion for Summary judgment, in the author's opinion, the trial court judge was significantly influenced by "bad facts" that arguably had no impact on the merits of the plaintiff's case. The law firm that retained the author, however, elected not to appeal this adverse trial court ruling because (1) they had taken the case on a contingency fee basis, absorbing expenses, including the expert witness fee, and (2) it was a well-reasoned ruling from a defense perspective, and appellate courts are reluctant to reverse a trial court ruling, unless there is a very compelling reason to do so.

Relevance of Illustrative Excavator Theft Claim to the Classroom: First, as referenced above, had the insurer conducted a reasonable investigation, and subjected the findings to a reasonable evaluation and review, the insurer would have quickly uncovered facts clearly indicating that the policyholder had presented a legitimate excavator theft claim. The trial court judge ignored this fact, reasoning that the author relied on depositions of important fact witnesses taken during the discovery process that commenced when the plaintiff filed a Formal Complaint with the trial court alleging breach of contract and bad faith. The importance concerning the discernment between facts that can be easily uncovered when processing a theft claim versus facts not knowable

until after the discovery process commenced is paramount in applying the law of first-party bad faith. Given that the law of first-party bad faith usually is presented in an introductory IRM course while teaching IRM students how to apply an insurance policy to an insurance claim, this illustrative excavator theft case is helpful in teaching IRM students the fundamentals concerning first-party bad faith law, and its application to first-party insurance cases.

Second, as referenced above, the distinction between an inland marine insurance policy and a property insurance policy can be important in terms of processing correctly an inland marine insurance claim; this case is illustrative of this fact. More generally, an inland marine insurance policy is not subject to a Standard Fire Policy statute, while a property insurance policy is subject to a Standard Fire Policy statute, meaning that knowledge concerning coverage features associated with an inland marine insurance policy, as opposed to a property insurance policy, is important for IRM students to fully grasp.

Third, IRM students, some of whom become claim representatives upon graduation, should be equipped to discern between relevant facts suggesting a suspicious claim, and irrelevant facts having nothing to do with the merits of an insurance claim, the consideration of which by a claim representative can be unfairly prejudicial, and which can result in the wrongful denial of an insurance claim, and an allegation of bad faith on the part of the policyholder.

The Law: As referenced above, making a case that the insurer acted in bad faith entails (1) an analysis of the manner in which the insurance claim was handled in terms of whether it met the applicable standard of care in the jurisdiction in question, and (2) an evaluation of the insurer's investigation, or lack thereof, in terms of the facts that could have been gathered in the course of a balanced investigation, in relation to how the claim should have been disposed of, assuming that the insurer had in fact promptly investigated, and gathered all the pertinent facts, and made the appropriate settlement offer, given knowledge of these facts.

Most importantly, the analysis and evaluation referenced above must occur within the context of the standard of care applicable in the jurisdiction in question, as well as within the context of the Unfair Claims Settlement Practices Statute, which requires an insurer to investigate, and subject the findings of such an investigation to a reasonable evaluation and review. Virtually all jurisdictions have enacted this statute; while it does not create a private cause of action, most, if not all, trial court judges consider it highly relevant in making a ruling concerning bad faith as a matter of law; the same is true concerning the applicable standard of care. The standard of care varies from jurisdiction to jurisdiction; the testifying expert witness must be familiar with the specific standard of care that applies in the jurisdiction in question, and it should be referenced in the Declaration prepared by the testifying expert evaluating whether the insurer acted in bad faith in the processing of the insurance claim; furthermore, in a deposition, as a general rule, opposing counsel will make some sort of inquiry in relation to the expert's knowledge concerning the applicable standard of care. For a detailed discussion concerning the different approaches states have taken with respect to the standard of care in first-party insurance bad faith cases, see Tennyson, Sharon and Warfel, William J., "The Law and Economics of First-Party Insurance Bad Faith Liability," *Connecticut Insurance Law Journal*, Volume 16, Number 1, 2009, pp. 203-242.

Of course, a case for bad faith fails if the testifying expert cannot establish that a breach of contract occurred. That being the case, a detailed coverage analysis first must be undertaken by the testifying expert, identifying the key coverage issues, and explaining why these coverage issues should be resolved in favor of the plaintiff. Most importantly, this discussion usually will lead to a conclusion that the insurer unreasonably denied a policy benefit, which constitutes bad faith.

In some cases, however, the coverage analysis can be problematical from a plaintiff perspective; a strict reading of the policy language may lead to a conclusion that coverage is non-existent, or alternatively, that coverage is very limited in relation to the size of the claim. While the testifying expert can testify concerning the purpose of the policy language in question, arguing that a strict reading of the policy language largely nullifies

coverage, and is at odds with the purpose of the policy language (meaning that a strict reading of the policy language is inconsistent with the intent of the parties to the contract, and is at odds with the reasonable expectations of the policyholder), some trial court judges are not at all receptive to this sort of coverage analysis, notwithstanding an otherwise very strong case for breach of contract/ bad faith on the part of the insurer.

AN ILLUSTRATIVE TEACHING CASE STUDY: THE ANATOMY OF AN EXCAVATOR THEFT CLAIM PRESENTED UNDER A COMMERCIAL INLAND MARINE POLICY

Overcoming Bad Facts: As referenced above, an expert testifying on behalf of the plaintiff may be required to overcome some “bad facts” not relevant concerning the merits of an insurance claim in undertaking a coverage analysis, and asserting that the insurer acted in bad faith in its processing of the insurance claim. An illustrative case in which the author was retained by the attorney who represented Bryan Newton and Newton Environmental D/B/A Waste Away Carting LLC concerning the theft of an excavator used to demolish buildings highlights the sort of challenges that may be faced by a testifying expert witness in a breach of contract/bad faith case.

In this case, Newton arranged to acquire an excavator to be used in his business of demolishing buildings. Unfortunately, the manner in which Newton lawfully acquired the excavator, although not relevant in terms of establishing an insurable interest in the excavator, raised questions for the insurer concerning whether the cause of loss was theft (a covered peril), or unexplained disappearance (an excluded peril).

First, the person from whom the excavator was lawfully acquired (Coca) previously had served time in a correctional institution for bribery, meaning that the insurer could argue that there was some doubt concerning whether the real thief (Cutruzzula) had in fact stolen the excavator (i.e., maybe Coca or Newton removed the excavator from the yard). The insurer made this argument, notwithstanding the undisputed facts that (1) Cutruzzula had assisted Newton in transporting the excavator from Coca to Newton, (2) Cutruzzula had stored the excavator at a yard owned by his grandfather, (3) the excavator was unlawfully removed from this yard shortly after it had been delivered by Cutruzzula to this yard, and (4) two days of surveillance tapes in a security booth located at the yard, accessible only to Cutruzzula and his grandfather were conveniently deleted, or erased, which matched the time period in which the excavator was unlawfully removed from the yard.

Second, the terms of sale related to the acquisition of the excavator by Newton from Coca included a large credit toward the agreed purchase price of the excavator in exchange for Newton recovering the excavator on behalf of Coca from the previous owner of the excavator, who had defaulted with respect to a purchase agreement between the previous owner and Coca; this unusual financing transaction was the basis for an argument by the insurer to the effect that the excavator theft claim presented by Newton was suspicious.

Third, while the investigation conducted by the Pennsylvania State Police was very thorough, leaving no doubt whatsoever that Cutruzzula stole the excavator, Cutruzzula was never prosecuted criminally for theft. Most likely, such is the case because Cutruzzula eventually agreed to report the location at which the excavator was stored. This report was “anonymous”, based on the recommendation of a criminal defense attorney retained by Cutruzzula. The District Attorney elected not to file charges against Cutruzzula, most likely because property crimes of this sort were a low priority item for the District Attorney, whose office most likely was underfunded. Notwithstanding this logical explanation concerning why Cutruzzula was never prosecuted in this case, the insurer latched onto this “bad fact”, arguing that there was a reasonable basis that supported the notion that Cutruzzula did not engage in wrongdoing in this case, meaning that it had a reasonable basis to believe that Newton’s excavator theft claim was fraudulent on the part of Newton.

In New Jersey, the jurisdiction in question, bad faith is established by showing that no debatable reasons existed for the denial of a policy benefit (what is commonly referred to as the intentional tort standard). Most importantly, bad faith is measured based on the insurer’s contemporaneous knowledge at the time of denial of the

insurance claim, as opposed to information developed in discovery in litigation that occurs a year or so after the theft claim was first presented to the insurer. Newton reported the disappearance of the excavator to the East Rutherford Police Department on September 8, 2016; a theft claim was presented to the insurer on September 13, 2016. Notwithstanding the fact that the insurer (1) never examined relevant surveillance footage at the yard from which the excavator was unlawfully removed, as well as surveillance footage from surrounding streets, (2) never took a statement from Cutruzzola or Daniel Ferretti (with whom Newton had a business relationship, and who first reported the disappearance of the excavator to Newton), and (3) never took a statement from a police officer at the East Rutherford Police Department, instead opting to simply exercise its rights under the terms of the policy to complete Newton's Examination Under Oath (EUO), the trial court judge ruled that the insurer had the discretion to "hold off" in terms of conducting promptly a balanced investigation until Newton had completed his EUO. Completion of Newton's EUO entailed submitting to the insurer documents such as Newton's tax returns and bank records, from which the insurer hoped to infer that Newton was financially strapped, and had the motive to file a fraudulent theft claim, even though there was no basis for suspecting the submission of a fraudulent theft claim by Newton. The basis for this trial court ruling was that the "defendants [the insurer] had their suspicions pertaining to the veracity of the [theft] claim". See August 28, 2020 trial court ruling, Newton V. The Andover Companies, Merrimack Mutual Fire Insurance Company, Superior Court of New Jersey Law Division: Bergen County; Docket No. Ber-L-5773-18; Order Denying Plaintiffs' Cross Motion for Reconsideration and Granting Defendants' Motion for Summary Judgment, page 15.

This trial court ruling is a clear reference to the unusual financing transaction related to the acquisition of the excavator by Newton from Coca, a "bad fact" that had no relevance in terms of whether Newton did or did not submit a fraudulent theft claim. Based on this unusual financing transaction, the trial court judge also ruled that the author's testimony both in his expert report and his deposition was somehow, someway deficient because he "never considered the possibility that either Victor Coca or the original purchaser of the vehicle [the excavator] from whom Mr. Coca repossessed it, or Mr. Newton, may have been involved in the excavator's disappearance from the storage yard." See Id., at page 18.

Furthermore, in this particular case, Newton was his own worst enemy in terms of his conduct subsequent to submitting the excavator theft claim by not taking the claim process seriously, and making it a high priority in terms of complying with requests for documents from the insurer, and being readily available for a EUO. The record confirms that there were several delays and/or miscommunications concerning the scheduling of his EUO, and there was some lack of compliance by Newton in responding to the insurer requests for documents, meaning, in this case, that a partial (not full) EUO of Newton was completed by the insurer about six months after Newton first submitted the excavator theft claim to the insurer. Shortly after the partial EUO was completed, Newton then learned that the excavator had been recovered by the Pennsylvania State Police. Given that Newton simply wanted the excavator returned to him so that he could resume his excavation business (according to a CPA retained in this litigation, Newton's loss of income during the period of time in which he was without an excavator was about \$1,240,000, consequential damages in a bad faith lawsuit), pursuant to the terms under the Recovered Property condition contained in the Commercial Inland Marine policy, Newton only had a breach of contract claim for the release fee charged by the impound lot (\$9,500), and the transport fee (\$1,700), both of which were incurred by Newton in getting the excavator back to New Jersey from Pennsylvania (the excavator had been located in a yard in Pennsylvania based on an "anonymous" tip that had been received by the East Rutherford Police Department), assuming, most importantly, that the insurer previously had made settlement for the excavator theft claim that had been submitted by Newton, pursuant to the terms of the Recovered Property condition (a condition precedent), which, of course, was not met in this case. In this case, a settlement offer (the condition precedent) was never extended by the insurer to Newton, based on the wrongful coverage determinations made by the insurer.

While one can make a sound argument that a strict reading of the Recovered Property condition encourages insurers to deny valid theft claims, given that eventual recovery of stolen equipment is not at all unusual in cases of this sort, this argument only applies to the breach of contract portion of the case; it does not

apply to the bad faith portion of the case. Such is the case because the insurer can argue that it is reasonable to rely on a strict reading of the policy language, notwithstanding the fact that the insurer made several wrongful coverage determinations in the processing of a theft claim, discussed in the section below. In this case, the trial court judge rejected the breach of contract claim, reasoning that “the recovery costs totaling \$14,250 are the only compensatory damages sought by plaintiffs. As no loss settlement was made, this provision pertaining to recovered property is inapplicable on its face.”; if there is no breach of contract, then it follows that there was no bad faith. See *Id.*, at page 19.

Most importantly, the trial court emphasized the delays created by Newton, or his previous counsel, in terms of his partially completed EUO at the time that the excavator was located at a yard in Pennsylvania on April 4, 2017, at which time the insurer closed the claim, and sent Newton a final claim denial letter on April 24, 2017, discussed in the section below.

While the trial court was correct in identifying Newton’s deficiencies (a “bad fact” not relevant in evaluating the merits of Newton’s excavator theft claim), had the insurer conducted a balanced investigation, it would have learned quickly that Cutruzzula (1) unlawfully removed the excavator from his grandfather’s yard, and (2) had it transported to upstate New York where it was stored in Steven Daley’s storage shed (with whom Cutruzzula had a prior relationship evidenced by telephone records) until it was sold to an unsuspecting third party, who then transported it to the yard in Pennsylvania from which it was ultimately recovered by the Pennsylvania State Police based on an “anonymous” tip that had been received by the East Rutherford Police Department.

In this case, the trial court judge inexplicably issued a ruling without explanation, in favor of the insurer before discovery was completed (including the submission of the author’s expert report), although (1) a Motion for Reconsideration was filed by the plaintiff well before the August 28, 2020 final, lengthy trial court ruling was released, and (2) a directive was given by the trial court judge after reviewing the author’s expert report to the effect that the author’s deposition was to be taken well before the August 28, 2020 final lengthy trial court ruling was released.

In an attempt to sway the trial court judge, the plaintiff attorney requested that the author carefully review the lengthy two volume deposition of Cutruzzula, which referenced numerous items that could have been easily and quickly uncovered by the insurer had it conducted promptly a balanced investigation as opposed to a one-sided investigation. The author identified numerous contradictions in the testimony of Cutruzzula, all of which were presented in the author’s lengthy expert report, the purpose of which was to document the indisputable fact that Cutruzzula was the real thief as opposed to Coca, Newton, etc. For example, Cutruzzula gave contradicting testimony concerning his rental of a storage facility located in upstate New York from Steven Daley, at which Newton’s excavator was stored until a prospective buyer (Jean-Louis Vorburger) was identified. Cutruzzula testified in his deposition that he did not know Jean-Louis Vorburger, the buyer of Newton’s stolen excavator, but Jean-Louis Vorburger identified Cutruzzula’s photograph in a lineup that was shown to him by the Pennsylvania State Police, who conducted an exhaustive and thorough investigation concerning Newton’s stolen excavator.

Certainly, most IRM cases in litigation contain some “bad facts” that a testifying expert must overcome; in the complete absence of “bad facts”, most likely, the IRM case would not be in litigation, meaning that the insurer promptly investigated the facts and circumstances pertaining to the claim, and paid the correct amount under the terms of the policy. Settlements, however, can be obtained in well less than perfect cases from the standpoint of the plaintiff. Such is the case because all that is required to preclude the court from granting an insurer’s Motion for Summary Judgment is the creation of a factual issue by the testifying expert. Indeed, both the plaintiff attorney, and the author were confident that the trial court judge would grant the plaintiff’s Motion for Reconsideration, and deny the insurer’s Motion for Summary Judgment, based on the fact that the trial court

judge had previously recommended that the case be submitted for mediation, well before the author was retained as a testifying expert in this case by the plaintiff.

Applying an Inland Marine Policy to an Excavator Theft Claim Consistent With the Intent of the Parties to the Contract: In applying the Commercial Inland Marine policy to Newton's excavator theft claim, the insurer must consider not only a strict reading of the policy language, but also whether the property exposure (potential loss to the excavator) is covered under a property insurance policy or an inland marine insurance policy. Given that Newton procured a policy prominently labeled as a "Commercial Inland Marine Policy," the intent of both the insurer and Newton was to insure the excavator under an inland marine policy as opposed to a property policy. Most importantly, the custom and practice is to include coverage features in an inland marine policy, all of which can be traced to coverage features historically included in ocean marine policies, that typically are not included in a property policy. The "roots" of inland marine insurance can be traced to ocean marine insurance, meaning that inland marine insurance evolved from ocean marine insurance. For a detailed discussion of this evolution, and an identification of these unique coverage features, see Warfel, William J. and Asperger, Jeff, "Builders Risk: Inland Marine Insurance or Property Insurance?", The John Liner Review, Winter 2008, pp. 51-65.

In the illustrative teaching case, the insurer failed to consider these coverage features in applying the applicable Commercial Inland Marine Policy to Newton's excavator theft claim and, therefore, made several wrongful coverage determinations in its April 24, 2017 final claim denial letter addressed to Newton.

First, for coverage to be invoked under the Commercial Inland Marine policy, the theft of the excavator must be deemed a "loss," as defined under the terms of the policy. "Loss' means accidental loss" In the final claim denial letter, the insurer contended that "the unexplained disappearance of the subject equipment [the excavator] was neither accidental" Notwithstanding the fact that the disappearance of the excavator was not an "unexplained disappearance" (i.e., Cutruzzula transported the excavator from the yard owned by his grandfather in New Jersey to a storage shed in upstate New York, from which it was sold to an unsuspecting third party for \$18,000, meaning that the removal of the excavator by Cutruzzula from the yard located in New Jersey owned by his grandfather was clearly "accidental", as opposed to intentional, from the perspective of Newton (the insured)). Inland marine insurance policies customarily provide broad coverage, and exclude only uninsurable exposures to loss. For an exposure to loss to be insurable, loss must be accidental from the standpoint of the insured (Newton). Had the insurer conducted a prompt, balanced investigation shortly after Newton submitted the excavator theft claim to the insurer on September 13, 2016, including, most importantly, taking statements from both Newton and Cutruzzula and Ferretti, it would have learned details concerning the long-term business and personal relationship between Newton and Cutruzzula. Newton and Cutruzzula had engaged in business on prior occasions before the theft of the excavator, meaning that Cutruzzula had previously transported equipment owned by Newton to various job sites on a regular basis over the years without incident. Moreover, Newton had "run in the same circle" of friends with Cutruzzula's brother while he was in high school, meaning that Newton implicitly trusted Cutruzzula. Such being the case, the coverage determination by the insurer that Newton expected Cutruzzula to take unlawful possession of the excavator was unreasonable, and constitutes bad faith.

Second, in contending that the "subject equipment [the excavator] [was located at] 288 Patterson Plank Road, East Rutherford, New Jersey 07073 on or about August 13, 2016 [the date Newton's excavator disappeared from the yard owed by Cutruzzula's grandfather], which is not property owned by you [Newton]", the insurer failed to consider the fact that an inland marine policy, as opposed to a property policy, usually provides coverage for property exposures that are mobile in nature. Property insurance policies, as opposed to inland marine insurance policies, usually restrict coverage to a fixed location (i.e., the location owned by the insured, Newton's yard located several miles from the yard owned by Cutruzzula's grandfather). While property insurance policies may include very limited coverage for property that is mobile in nature (Newton's excavator) while it is located off-premises, Newton elected to insure his excavator under a Commercial Inland Marine policy because he knew that the excavator was mobile in nature, meaning he knew that the excavator would be he would be frequently

transported from one job site to another job site. For this reason, Newton elected not to insure his excavator under a property insurance policy that largely restricted coverage to a fixed location identified in the Declarations (Newton's yard, located several miles from the grandfather's yard). In applying the Commercial Inland Marine policy to Newton's excavator theft claim in a way that restricted coverage to a fixed location, the insurer unreasonably denied a policy benefit, and acted in bad faith in its processing of Newton's excavator theft claim.

Third, in contending that "we [the insurer] cover: your [Newton's] contractor's equipment [Newton's excavator] ... that is in your [Newton's] care, custody or control ... for up to the Limit of Insurance [\$85,000] shown on the Declarations," the insurer referenced the fact that the excavator was located in the yard owned by Cutruzzula's grandfather at the time it was stolen, meaning that the excavator was in the care, custody, and control of Mario Mariano (Cutruzzula's grandfather) and/or Cutruzzula on the date of loss. The record confirms that Newton acquired ownership of the excavator on June 25, 2016, well before the date of loss. The Bill of Sale was signed by both Newton and Coca (the previous owner of the excavator) on June 25, 2016. From the moment Newton acquired ownership of the excavator on June 25, 2016, he began to exercise control over the excavator. Newton arranged for Cutruzzula to transport the excavator from Long Island, New York to New Jersey. Newton agreed to have his newly acquired excavator delivered to the yard owned by Cutruzzula's grandfather. In short, the insurer unreasonably denied a policy benefit in processing Newton's excavator theft claim, and acted in bad faith in doing so.

CONCLUSION

In concluding that the insurer had conducted an adequate investigation, reasoning that it was only required to schedule and take Newton's EUO, the trial court judge relied substantially on the "bad facts" cited in the trial court ruling, including, most importantly, the details concerning Newton's acquisition of the excavator (i.e., Newton received a credit for recovery of the excavator that was unlawfully removed from Coca's premises). In so doing, the trial court judge ignored the fact that Newton was truthful and accurate in his partially completed EUO concerning the details related to his lawful acquisition of the excavator from Coca, as evidenced by an Affidavit supplied by Coca in this litigation, confirming the details related to the acquisition of the excavator, to which Newton testified in his partially completed EUO. Moreover, the trial court judge ignored the documentation confirming Newton's EUO testimony such as the Bill of Sale, documentation which the insurer could have easily obtained early in its investigation of Newton's excavator theft claim, well before Newton's scheduled EUO. In ruling that a one-sided investigation designed solely to uncover data suggesting that Newton was in financial distress, and had a motive to submit a fraudulent excavator theft claim, was sufficient to negate a bad faith allegation by Newton, the trial court judge ignored the fact that a balanced investigation would have uncovered data confirming that Cutruzzula had unlawfully (1) removed the excavator from the yard owned by Cutruzzula's grandfather, and (2) transported it to a storage shed in upstate New York, and sold it to an unsuspecting third party.

While the trial court judge recognized the fact that insurers have limited resources for the purpose of conducting investigations, the trial court judge failed to recognize the fact that policyholders like Newton procure broad form theft coverage under a Commercial Inland Marine policy so that funds received from a prompt insurance settlement are available to the policyholder to continue operations until the stolen equipment is located and recovered by the police. Oftentimes, it takes up to a year following an equipment theft incident before the police finally receive a "tip" eventually leading to the recovery of the stolen equipment. In the absence of prompt payment to the insured under a Reservation of Rights letter, the policyholder cannot quickly replace the stolen equipment and resume operations, which could result in the closure of the policyholder's business.

The Recovered Property condition contained in an inland marine policy presumes that (1) equipment is stolen by a third party, (2) the policyholder reports the equipment theft promptly to the police, followed shortly thereafter by the submission of an equipment theft claim to the insurer, (3) the insurer promptly commences a

balanced investigation as opposed to a one-sided investigation, followed by payment of the equipment theft claim under a Reservation of Rights letter shortly thereafter, (4) the police locate and recover the stolen equipment, usually within one year from the date that the equipment theft was reported by the policyholder to the police, and (5) the policyholder opts to receive the stolen equipment upon its recovery by the police from the wrongdoer, with the policyholder reimbursing the insurer for the difference between the settlement amount, and the recovery costs incurred by the policyholder. The condition precedent (a prior settlement), however, is not met if (1) the insurer fails to conduct a balanced investigation, unreasonably concluding that the policyholder submitted a fraudulent equipment theft claim, and/or (2) the insurer makes wrongful coverage determinations, failing to distinguish between an inland marine policy and a property policy. For this reason, a strict reading of the Recovered Property condition in this illustrative teaching case was at odds with the intent of the parties to the contract, and the reasonable expectations of the insured.

Life Insurance: An Introductory Assignment

Manoj Athavale
Ball State University

Stephen Avila
Ball State University

ABSTRACT

In this paper we describe a project assigned in an Introductory Risk Management and Insurance course. The project is used to provide examples of the types of life insurance policies available to individuals and allows students to be active participants in the learning process. The project has specific learning objectives which reinforce the traditional textbook and lecture approach to learning.

INTRODUCTION

“Life Insurance: An Introductory Assignment” is an instruction module that utilizes publicly available information to achieve specified student learning outcomes. The assignment facilitates a discussion of the different types of Life Insurance, contractual provisions related to Life Insurance, the process of buying Life Insurance, and the variables which influence the premiums. Life insurance policies covered include term life policies (Level Premium and Return of Premium Term) and permanent-life policies (Whole Life, Limited Pay Whole Life, and Universal Life). The complete assignment is provided in Appendix A, along with a sample answer key in Appendix B. The assignment currently utilizes the quote engine provided by State Farm (www.statefarm.com), but any quote engine that provides comparable quote information can be used, for example, www.SelectQuote.com, www.Protective.com, and www.InstantQuoteLifeInsurance.com. Currently, registration is not required to use this website and students are not required to provide personal contact information to complete the quote.

Several important characteristics of each policy type are covered. Term insurance lasts for a predetermined time period chosen by the individual, while permanent insurance lasts for the individual's entire life. The assignment and related classroom activity allow for a discussion of the characteristics of term insurance policies: term insurance is temporary protection, it does not accumulate any cash value, and has the lowest premium at a given age. Return of Premium Term provides a return of all premiums if the insured lives until the end of the policy period. An important characteristic of most permanent Whole Life policies is a savings portion known as cash value. Cash value is a savings element that accumulates over time, while the death benefit is the amount of money a beneficiary receives on the death of the insured. If needed, the cash value can be withdrawn by the insured in various ways. The assignment and related classroom activity allow for a discussion of the characteristics of whole life insurance policies: it is suitable for lifetime protection, has a level premium for entire duration of the contact, and accumulates a cash value. The premium on whole life policies is higher largely because of this savings component. Limited Pay Whole Life has the same characteristics as Whole Life except that the premium is paid over a shorter period of time, for example, a 15 or 20-year time period. While whole life insurance is the most common type of permanent life insurance, Universal Life insurance (UL) offers greater flexibility. Universal Life unbundles the mortality charges, expenses, and interest paid on the policy, and may allow the policy holder to increase death benefits or reduce monthly premiums. Universal Life also pays a competitive interest rate on the accumulated cash value.

The paper proceeds as follows: First, the application process to apply for life insurance is presented. The various factors which influence the underwriting process and the relevance of those factors is discussed. Next, the amount of life insurance to be purchased is considered, together with the characteristics and premium quotes for Term, Return of Premium Term, Whole Life, Limited Pay Whole Life, and Universal Life. Lastly, the project

examines a standardized method of comparing the cost of insurance for two quotes which are identical in all respects (type of insurance and underwriting factors) except the face amount of insurance proposed to be acquired.

THE APPLICATION PROCESS

Upon accessing the website, the first step is to choose the life insurance product from the menu of insurance choices available and select the appropriate state. This is usually a good time to identify the different types of insurance contracts which are available and why some may facilitate online information and quotes while other products are more customized. This is also a good time to mention that the industry is regulated at the state level and many products are priced based on state-specific factors. The next question verifies that the person requesting the quote is 14 years of age or older. The basic information that is relevant to pricing a life insurance policy and which is requested for the online application for life insurance is presented in Table 1. The applicant is required to provide information on gender (male or female), date of birth, height and weight, use of tobacco or other nicotine products in the past three years, and health condition. This information is used in determining eligibility and the insurance premium. For this website, the applicant self-evaluates their health condition as Excellent, Very Good, Good, or Average. The factors that impact the underwriting of the applicant for this website are cholesterol, blood pressure, family health history of cancer or heart disease, alcohol or drug abuse, and driving under the influence and traffic violations. Other websites include additional questions about piloting an aircraft, bungee jumping, hang gliding, mountain or rock climbing, scuba diving, and skydiving. A health screening and/or medical exam is often required before the policy is issued.

Mortality tables are used to calculate the probability of death at any age for a defined population, and the risk factors mentioned above are used to price the specific risk associated with the individual being insured. This is usually a good time to initiate a discussion of the relationship between these underwriting variables and insurance prices.

Table 1. Life Insurance Application Questions

Your Information	
State / Province	IN
Sex	<input type="radio"/> Female <input type="radio"/> Male
Date of birth (MM/DD/YYYY)	<input type="text"/> / <input type="text"/> / <input type="text"/>
Height and Weight	<input type="text"/> feet <input type="text"/> inches <input type="text"/> lbs
In the last three (3) years , have you used tobacco or other nicotine products in any form?	<input type="radio"/> Yes <input type="radio"/> No
Please select the health category you would like us to consider in determining your quote. ?	<input type="radio"/> Average <input type="radio"/> Good <input type="radio"/> Very Good <input type="radio"/> Excellent

AMOUNT OF LIFE INSURANCE TO OWN

The next step in this assignment is to determine the amount of life insurance that a person may need. Different approaches to determine how much life insurance to own, such as Human Life Value and the Needs Approach are discussed. While it is reinforced that from a financial planning perspective, the amount of insurance needed is specific to the individual; for the purpose of this assignment, an instructor-determined

insured value will be used. The instructor-determined insured value allows clear discussion of the premium costs associated with a given life insurance product when the face amount of the life insurance product changes. The coverage amount selection process is illustrated in Table 2. While this website allows six different coverage limits ranging from \$50,000 to \$3,000,000, the instructor-determined coverage limits that are used in pricing the insurance policies are \$100,000, \$500,000, and \$1,000,000.

Table 2. Coverage Amount

Provide a Coverage amount selecting from amount below.

Coverage amount:

After the coverage amount is determined, the different types of fixed-term and permanent life insurance policies and their characteristics are discussed. The coverage amount is used to obtain the price (premium) quotes for Level Premium Term, Return of Premium Term, Whole Life, Limited Pay Whole Life, and Universal Life policies. Students should be made aware that all life insurance companies may not offer all types of life insurance products.

TERM LIFE INSURANCE

Term Life Insurance is considered temporary protection. For example, Yearly Renewable Term (YRT) Life can to a specific age (70 or 75) or Level Premium Term Life for a specific time period (10, 20, or 30 years). YRT and Level Premium Term Insurance do not have cash value. Premiums increase on a yearly basis for Yearly Renewable Term (YRT). The premiums for Level Premium Term are fixed for a specified period (10, 20, or 30-years) but increase at renewal. For this exercise, quotes for Level Premium Term Life Insurance are assigned.

This assignment (presented in Appendix A) poses a list of six questions.

Question 1. What are the annual premiums for Level Premium Term Life for the following number of years and face amounts?

- a) 10, 20, and 30-year premiums with a \$100,000 face amount.
- b) 10, 20, and 30-year premiums with a \$500,000 face amount.
- c) 10, 20, and 30-year premiums with a \$1,000,000 face amount.

As an example, a 22-year old male, non-tobacco user, in very good health, seeking a \$100,000 face amount on a 10-year Level Premium Term policy, will be quoted an annual premium of \$144. The premium will be \$152 for a 20-year policy and \$206 for a 30-year policy. Similarly, a 22-year female will be quoted \$135 for a 10-year policy, \$137 for a 20-year policy; and \$182 for a 30-year policy. The current quotes for 10, 20, and 30-year term insurance for \$100,000, \$500,000, and \$1,000,000 face amounts are shown in Table 3.

Table 3. Premium Comparison (Level Premium Term Life Insurance)

		Face Amount		
		\$100,000	\$500,000	\$1,000,000
Male	10 Years	\$144	\$300	\$450
	20 Years	\$152	\$335	\$520
	30 Years	\$206	\$500	\$860
Female	10 Years	\$135	\$240	\$320
	20 Years	\$137	\$270	\$430
	30 Years	\$182	\$400	\$690

Non-Tobacco User, 22-Year Old, Very Good Health.

Students are asked to explore the small increase in premiums between the 10-year and 20-year policies and the larger increase in premiums between the 20-year and 30-year policies. Students are encouraged to consider if it might be a good idea to lock in an additional 10 years of life insurance protection for \$2 more (\$137 less \$135) per year when comparing the 10 and 20-year policies. This is also a good opportunity to observe the relative difference in premium between the \$100,000 and \$500,000 face amount policies. The premium for the \$500,000 face amount is less than 5 times more than the \$100,000 face amount. To reinforce this concept, the last question in the assignment compares the cost of insurance between two policies which are similar in all respects except the face amount.

Students are encouraged to identify and discuss additional issues in the classroom. In the past, students have compared premiums by gender (male and female), the known use of carcinogens (tobacco or nicotine usage), and the time value of money and transaction costs (annual versus monthly premiums).

RETURN OF PREMIUM TERM LIFE INSURANCE

Return of Premium Term Life Insurance provides temporary protection and returns the premiums paid to the insured if they live until the end of the policy period. The premium on a Return of Premium policy is higher than on a comparable Level Premium Term policy. The Return of Premium policy builds a cash value, and prior to the end of the policy term, the insured can take a loan on the cash value or surrender the policy for the cash surrender value. As part of the assignment, students price a 20-year and 30-year Return of Premium Term policy for a \$100,000 face amount. Students then compare the premium on the 20-year Return of Premium Term policy with the premium on the comparable Level Premium Term policy. The students are asked to discuss the characteristics of the two policies, decide on which policy they would recommend, and provide a justification for their choice.

Question 2. What are the annual premiums for 20 and 30-Year Return of Premium Life Insurance Policy with \$100,000 face amount? Compare the premiums of a 20-year Return of Premium to a 20-year Level Premium Term policy with \$100,000 face amounts. Which policy premium is higher? What happens if you live to the end of the return of premium term? Do you recommend return of premium over term? Why or why not?

The quoted premium for the 20-year and 30-year policy periods for the Return of Premium policy are provided in Table 4. The Return of Premium policies build cash value over time. As an example, the annual premium for a 20-year term policy is \$491. By the end of the 10th policy year the policyholder will have paid a total of \$4,910 in premiums and will have accumulated a cash value of \$3,324. The annual premiums, cumulative premiums, and accumulated cash values for both 20 and 30-year policies for both males and females are presented in Table 4. Students also compare the quotes for 20-year Return of Premium and 20-year Level Premium Term policies. For a female, the 20-year Return of Premium is \$392 per year (Table 4) and the 20-year Level Premium

Term is \$137 per year (Table 3), a difference of \$255. If you live until the end of the 20-year period, then the total amount of premiums paid are returned to the insured. Some students recommend Return of Premium, because they receive their premiums back and have received the insurance coverage for “free”; others recommend the 20-year Level Premium Term and investing the difference. This is usually a good point to introduce the concept of time value of money to explain that the cash value returned to the insured in exchange for the additional \$255 each year for 20 years is equivalent to a reasonably safe approximate 3.9 percent return. There is scope for additional discussions related to the manner in which cash surrender value builds up to equal total premiums paid.

Table 4. Premiums and Cash Value Comparison (Return of Premium Term Life Insurance)

	End of Policy Year	Annual Premium		Total Premiums Paid		Cash Surrender Value	
		20-year term	30-year term	20-year term	30-year term	20-year term	30-year term
Male	5			\$2,455	\$2,560	\$940	\$586
	10			\$4,910	\$5,120	\$3,324	\$2,462
	15	\$491	\$512	\$7,365	\$7,680	\$6,238	\$4,761
	20			\$9,820	\$10,240	\$9,820	\$7,577
	30	NA		NA	\$15,360	NA	\$15,360
Female	5			\$1,960	\$2,040	\$619	\$344
	10			\$3,920	\$4,080	\$2,563	\$1,868
	15	\$392	\$408	\$5,880	\$6,120	\$4,933	\$3,733
	20			\$7,840	\$8,160	\$7,840	\$6,013
	30	NA		NA	\$12,240	NA	\$12,240

\$100,000 Face Amount, 22-year old, Non-Tobacco User, Very Good Health.

WHOLE LIFE AND LIMITED PAY LIFE

Whole Life contains a savings and protection element. For this assignment, the policy quoted is Whole Life to age 100. The level premium is paid until age 100, and the face amount is paid upon death or at age 121. Some policies allow the premiums to be paid over a specified time period while the benefit of insurance continues lifelong. Such policies are called Limited Pay Whole Life policies. In this assignment, students are required to obtain quotes on Whole Life policies with various face amounts (Question 3) and compare premiums on 15-year and 20-year Limited Pay Whole Life policies with Whole Life policies (Question 4). Sample quotes related to these questions are presented in Table 5.

Question 3. What are the annual premiums for Whole Life Insurance for the following face amounts?

- a) \$100,000 face amount.
- b) \$500,000 face amount.
- c) \$1,000,000 face amount.

Question 4. What is the annual premium for a 15 or 20-year Limited Pay Whole Life with a \$100,000 face amount? Compare the annual premiums for the \$100,000 face amount Limited Pay Whole Life and Whole Life Policies. Which premium is higher and why?

Table 5. Premium Comparison (Whole Life and Limited Pay Whole Life Insurance)

Policy Type	Face Amount			
	\$100,000	\$500,000	\$1,000,000	
Male	Whole Life	\$936	\$4,400	\$8,730
	15-Year Pay	\$1,544	\$7,440	\$14,810
	20-Year Pay	\$1,323	\$6,335	\$12,600
Female	Whole Life	\$793	\$3,955	\$7,840
	15-Year Pay	\$1,320	\$6,320	\$12,570
	20-Year Pay	\$1,148	\$5,460	\$10,850

Various Face Amounts, 22-year old, Non-Tobacco User, Very Good Health.

Students generally have an in-class discussion of the relative cost differences by type of policy, face amount, and gender. Students note that the premium for the 15-year Limited Pay policy is higher than the 20-year Limited Pay policy, which in turn is higher than the Whole Life policy. This is usually a good opportunity for the instructor to discuss concepts like life expectancy which influence premiums.

UNIVERSAL LIFE

Universal Life (UL) is a type of permanent life insurance with an investment savings element. We begin by discussing the characteristics of Universal Life, including the flexibility, the unbundling of the mortality charges and expenses, and the interest rate credited on the cash value. The annual premium comprises two parts: The cost of insurance which includes the mortality charges and expenses, and a savings element. The mortality charges are based on the net amount at risk for the insurer, which is the difference between the face amount of the policy and the legal reserve. The savings element (also called cash value) earns interest. The interest rate credited is based on the general asset returns of the insurance company. This rate is comparable to money market rates and will fluctuate every year, though insurance companies do guarantee a minimum interest rate. The UL policies have an inherent flexibility that the premium and face amount can be changed within the limits specified by the policy without having to issue a new policy.

The UL policies generally provide for two possible death benefit options: Option 1 is a level death benefit also known as the decreasing net amount at risk or the Basic Amount, and Option 2 is an increasing death benefit, also known as the level net amount at risk or the Basic Amount plus Account Value. For the purpose of this assignment we ask students to select Option 1. In addition, to ensure consistency in responses across all students, we ask students to select the options for (a) making annual payments, (b) in all years, (c) use the IRS “Guideline Premium Test” definition of life insurance, and (d) decline optional coverages.

Question 5. What is the premium for a Universal Life Insurance Policy with a \$100,000 face amount? How long does the guaranteed cash value last in the illustration (to what policy year and what age)? Explain why the guaranteed cash value goes to zero.

Our sample quote for a UL policy is presented in Table 6. For a male, age 22, the annual premium is \$650 per year using the Guideline Premium Test. We also present the total premiums paid, and the manner in which the account cash value changes over time. Due to the characteristics of the UL policy, premiums and interest are paid into the UL policy account and mortality charges and expenses are subtracted from this balance. While the premium and guaranteed interest rate is fixed, the mortality charge increases over time. Therefore, over time, the balance (cash value) can go down to zero. This occurs when the mortality charge and expenses are greater than the premiums and interest credited.

As part of the assignment, students (a) report the annual premium, (b) identify the policy year when the cash value goes to zero, and (c) explain why the cash value goes to zero. In our sample quote, the premium is \$650 for a 22-year old male, and the guaranteed cash value becomes zero at the end the 60th policy year when the insured is 82. Similarly, the premium is \$571 for a 22-year old female, and the guaranteed cash value becomes zero at the end the 62nd policy year when the insured is 84. The illustrated cash values presented in Table 6 are a possible scenario of outcomes assuming that interest will be credited at the higher current interest rate, but these rates will fluctuate, and are not guaranteed into the future.

Table 6. Premiums and Cash Values (Universal Life)

End of Policy Year	Total Premiums		Guaranteed Values		Illustrated Values	
	Male	Female	Male	Female	Male	Female
5 (age 27)	\$3,250	\$2,855	\$1,993	\$1,836	\$2,222	\$1,929
10 (age 32)	\$6,500	\$5,710	\$4,041	\$3,576	\$4,718	\$4,089
20 (age 42)	\$13,000	\$11,420	\$8,959	\$7,850	\$11,195	\$9,786
30 (age 52)	\$19,500	\$17,130	\$14,127	\$12,716	\$19,162	\$16,841
50 (age 72)	\$32,500	\$28,550	\$19,148	\$19,088	\$37,146	\$34,170
60 (age 82)	\$39,000	\$34,260	\$0	\$6,619	\$38,051	\$38,561
62 (age 84)	\$40,300	\$35,402	\$0	\$0	\$34,566	\$36,839
69 (age 91)	\$44,850	\$39,399	\$0	\$0	\$0	\$2,103
70 (age 92)	NA	\$39,970	\$0	\$0	\$0	\$0

\$100,000 Face Amount, 22-Year Old, Non-Tobacco User, Very Good Health, Guideline Premium Test, Option 1 (Basic Amount).

CALCULATING THE COST PER \$1,000 OF LIFE INSURANCE

A frequent mistake that students make is that they only look at the premium and state that the cost is less for the lower face amount. While this may be true, it is certainly not the complete picture. Therefore, the last part of the assignment examines a standardized method of comparing the cost of insurance for two quotes which are identical in all respects (type of insurance and underwriting factors) except the face amount of insurance proposed to be acquired. Specifically, this last question helps students understand the cost per \$1,000 face amount for different amounts of Level Premium Term Insurance. The students are asked to quote for face amounts of \$100,000, \$500,000 and \$1,000,000 for a 20-year Level Premium Term policy. This usually a good opportunity to discuss the fixed costs in originating insurance policies (for example, verification of medical/health conditions, documentation costs, etc.). The premiums and cost per \$1,000 for the three policies are presented in Table 7.

Question 6. Obtain quotes for a \$100,000 policy, \$500,000 policy, and a \$1,000,000 policy for a 22-year old male desiring a 20-year Level Premium Term policy. What is the cost per thousand dollars of coverage for each of these policies? Explain which policy has the lowest cost per thousand, and why?

We begin by creating a standard unit of insurance such that face amount of \$1,000 equals 1 unit of insurance. Thus a \$100,000 face amount policy is equivalent to 100 units of insurance. Therefore, we obtain a Cost per Unit of \$1.52 if it costs \$152 to buy 100 units of insurance.

Table 7. Cost per \$1,000 of Life Insurance

Face Amount	Annual Premiums	Units of Insurance	Cost per Unit
\$100,000	\$152	$\$100,000/1,000=100$	$\$152/100=\1.52
\$500,000	\$335	$\$500,000/1000=500$	$\$335/500=\0.67
\$1,000,000	\$520	$\$1,000,000/1,000=1,000$	$\$520/1000=\0.52

\$100,000 Face Amount, 22-Year Old Male, Non-Tobacco User, Very Good Health. Note that each unit of insurance = \$1,000

CONCLUSION

This paper describes the use of the Life Insurance Quote Assignment to improve student engagement and enhance learning outcomes. The assignment examines the cost and the many policy and underwriting characteristics associated with several different types of life insurance policies. Term, Return of Premium Term, Whole Life, Limited Pay Whole Life, and Universal Life policies are illustrated. By encouraging active participation in the learning process, students are able to retain content and formulate insights beyond that attained through traditional textbook and lecture.

The assignment can also be modeled using the six categories of cognitive skills identified by Bloom's taxonomy. An example is provided below:

Category	Cognitive Skill	Cognitive skill as relates to this Assignment
Knowledge	The successful student will recognize or recall learned information	List the different types of life insurance products available
Comprehension	The successful student will restate or interpret information in their own words	Explain the difference between Term Life and Whole Life policies
Application	The successful student will use or apply the learned information	Apply for term life insurance using your personal risk characteristics
Analysis	The successful student will examine the learned information critically	Experiment with the insurance pricing model for term life policies using various different characteristics
Synthesis	The successful student will create new models using the learned information	Demonstrate the manner in which characteristics such as gender, age, height and weight, tobacco or nicotine use, and health category affects insurance eligibility and premiums
Evaluation	The successful student will assess or judge the value of learned information	Assess the appropriate face amount ("economic value of human life") for a term life policy

It is important to recognize that this assignment is but one example of the manner in which student learning can be structured. Instructors can tailor this and similar assignments to suit their specific purpose. Thus, this assignment could be used in a life and health course or a retirement planning course or a graduate course in risk management and insurance. There are various additional topics which could be introduced based on desired learning outcomes. For example, students could be asked to discuss whether life insurance is becoming a homogeneous commodity. Life insurance need not be a dichotomy between term life and permanent

life, and students could be asked to consider whether a mix of term and whole life could meet the need at a lower cost. And finally, Appendix B provides baseline answers which pertain to the use of this assignment in an Introductory Risk Management and Insurance course. The answers would of course change over time and if quotes were obtained from another insurance company.

We would like to thank a reviewer for suggesting the use of a similar assignment while teaching Auto Insurance. Students could be asked to obtain (or could be provided) quotes for auto insurance while teaching that content. This could lead to a discussion of the different auto insurance coverages, state-mandated auto insurance requirements, and factors which affect premiums.

APPENDIX A.
LIFE INSURANCE QUOTE ASSIGNMENT

The purpose of this assignment is to enhance your learning of life insurance concepts. This assignment is designed to supplement the textbook and in-class lectures and will help you understand the different types of life insurance policies and the pricing of life insurance.

Go to StateFarm.com and under Quote, click on Life, and then click on a State. A Life Quote Pre-Check box will come up and a birthdate is required to show that you are 14 years of age or older. Next, you will be asked to click on male or female, input your birthdate, height and weight, tobacco use, and current health condition, and lastly, you will be asked to select a face amount. You this interaction to answer the following six questions:

Question 1. What are the annual premiums for Level Premium Term Life for the following number of years and face amounts?

- a) 10, 20, and 30-year premiums with a \$100,000 face amount.*
- b) 10, 20, and 30-year premiums with a \$500,000 face amount.*
- c) 10, 20, and 30-year premiums with a \$1,000,000 face amount.*

Question 2. What are the annual premiums for 20 and 30-Year Return of Premium Life Insurance Policy with \$100,000 face amount? Compare the premiums of a 20-year Return of Premium to a 20-year Level Premium Term policy with \$100,000 face amounts. Which policy premium is higher? What happens if you live to the end of the return of premium term? Do you recommend return of premium over term? Why or why not?

Question 3. What are the annual premiums for Whole Life Insurance for the following face amounts?

- a) \$100,000 face amount.*
- b) \$500,000 face amount.*
- c) \$1,000,000 face amount.*

Question 4. What is the annual premium for a 15 or 20-year Limited Pay Whole Life with a \$100,000 face amount? Compare the annual premiums for the \$100,000 face amount Limited Pay Whole Life and Whole Life Policies. Which premium is higher and why?

Question 5. What is the premium for a Universal Life Insurance Policy with a \$100,000 face amount? How long does the guaranteed cash value last in the illustration (to what policy year and what age)? Explain why the guaranteed cash value goes to zero.

Question 6. Obtain quotes for a \$100,000 policy, \$500,000 policy, and a \$1,000,000 policy for a 22-year old male desiring a 20-year Level Premium Term policy. What is the cost per thousand dollars of coverage for each of these policies? Explain which policy has the lowest cost per thousand, and why?

APPENDIX B.
ANSWER KEY – LIFE INSURANCE QUOTE ASSIGNMENT

Question 1. What are the annual premiums for Level Premium Term Life for the following number of years and face amounts?

	Term	Face Amount		
		\$100,000	\$500,000	\$1,000,000
Male	10 Years	\$144	\$300	\$450
	20 Years	\$152	\$335	\$520
	30 Years	\$206	\$500	\$860
Female	10 Years	\$135	\$240	\$320
	20 Years	\$137	\$270	\$430
	30 Years	\$182	\$400	\$690

Non-Tobacco User, 22-Year Old, Very Good Health.

Question 2. What are the annual premiums for 20 and 30-Year Return of Premium Life Insurance Policy with \$100,000 face amount?

	Policy Type	Face Amount	
		Return of Premium	Level Premium
Male	20 Year		\$152
	20 Year	\$491	
	30 Year	\$512	
Female	20 Year		\$137
	20 Year	\$392	
	30 Year	\$408	

\$100,000 Face Amount, 22-year old, Non-Tobacco User, Very Good Health.

Compare the premiums of a 20-year Return of Premium to a 20-year Level Premium Term policy with \$100,000 face amounts. Which policy premium is higher?

Return of Premium.

What happens if you live to the end of the return of premium term?

The sum total of all the premiums paid are returned to you.

Do you recommend return of premium over term? Why or why not?

Yes, I like the idea of my premiums being returned to me if I live to the end of the policy period.

No, I would rather invest the difference in the premium between the two products in Individual Retirement Accounts (IRAs), 401(k)s, or other investments.

Question 3. What are the annual premiums for Whole Life Insurance for the following face amounts?

- a) \$100,000 face amount.
- b) \$500,000 face amount.
- c) \$1,000,000 face amount.

Question 4. What is the annual premium for a 15 or 20-year Limited Pay Whole Life with a \$100,000 face amount? Compare the annual premiums for the \$100,000 face amount Limited Pay Whole Life and Whole Life Policies.

Answers to Questions 3 and 4.

	Policy Type	Face Amount		
		\$100,000	\$500,000	\$1,000,000
Male	Whole Life	\$936	\$4,400	\$8,730
	15-Year Pay	\$1,544	\$7,440	\$14,810
	20-Year Pay	\$1,323	\$6,335	\$12,600
Female	Whole Life	\$793	\$3,955	\$7,840
	15-Year Pay	\$1,320	\$6,320	\$12,570
	20-Year Pay	\$1,148	\$5,460	\$10,850

Various Face Amounts, 22-year old, Non-Tobacco User, Very Good Health.

Which premium is higher and why?

The Limited Pay Whole Life policy is higher because you pay premiums for a shorter period of time to finance the contract.

Question 5. What is the premium for a Universal Life Insurance Policy with a \$100,000 face amount?

Male \$650 and Female \$571.

How long does the guaranteed cash value last in the illustration (to what policy year and what age)?

Male year 60 at Age 82; Female year 62 at Age 84.

Explain why the guaranteed cash value goes to zero.

The premiums are not sufficient to provide the requested benefits.

Question 6. Obtain quotes for a \$100,000 policy, \$500,000 policy, and a \$1,000,000 policy for a 22-year old male desiring a 20-year Level Premium Term policy. What is the cost per thousand dollars of coverage for each of these policies?

Face Amount	Annual Premiums	Units of Insurance	Cost per Unit
\$100,000	\$152	$\$100,000/1,000=100$	$\$152/100=\1.52
\$500,000	\$335	$\$500,000/1000=500$	$\$335/500=\0.67
\$1,000,000	\$520	$\$1,000,000/1,000=1,000$	$\$520/1000=\0.52

\$100,000 Face Amount, 22-Year Old Male, Non-Tobacco User, Very Good Health. Note that each unit of insurance = \$1,000

Explain which policy has the lowest cost per thousand, and why?

The \$1,000,000 has the lowest cost per \$1,000. The lower face amounts have a greater percentage of fixed costs, and higher face amounts are provided a discount per \$1,000 of coverage.

APPENDIX C TEACHING NOTE

SYNOPSIS AND OBJECTIVES

The project is used to provide examples of the types of life insurance policies available to individuals and allows students to be active participants in the learning process. In addition to the objectives of the assignment as described in the paper, several additional topics can be explored. For example, students can be asked to discuss:

- a) why some individuals may desire fixed-term while others may desire permanent life insurance.
- b) what types of life insurance policies would be most suitable for different stages of the person's life.
- c) factors which influence the amount of life insurance desired.
- d) role of mortality tables in determining rates.
- e) various health and lifestyle factors which can influence rates.
- f) how improving underlying health conditions can change health rating from "good" to "excellent" and consequently result in lower premiums.
- g) negative relation between the face amount and the cost per \$1,000 of insurance.
- h) impact of factors like loss experience and interest rates in determining rates.

PLACEMENT IN THE COURSE

This assignment can be used either during or after completion of the Life Insurance and Life Insurance Contractual Provisions Chapter presentations in an Introductory Principles of Insurance course. It can also be used to reinforce concepts in an Employee Benefits course or in a Financial Planning course.

ADDITIONAL QUESTIONS

1. Compare the premiums on a term-life policy for a 22-year old. Use various underwriting criteria, including carcinogenic use, health condition, gender, term, and face amount. The current data from the selected website is presented below. This could also be used with advanced students in a regression analysis to discern the impact of each of these variables on rates.

Annual premium on a \$100,000 face amount fixed-term contract for a 22-year old

Term		Tobacco Use = No				Tobacco Use = Yes	
		Excellent health	Very Good health	Good health	Average health	Excellent health	Average health
Male	10 Years	\$135	\$144	\$164	\$200	\$255	\$311
	20 Years	\$142	\$152	\$167	\$203	\$263	\$426
	30 Years	\$189	\$206	\$230	\$253	\$375	\$470
Female	10 Years	\$127	\$135	\$143	\$171	\$220	\$286
	20 Years	\$128	\$137	\$146	\$173	\$223	\$289
	30 Years	\$161	\$182	\$187	\$201	\$314	\$365

Underwriting criteria includes carcinogenic use, health condition, gender, and term.

Annual premium on a \$500,000 face amount fixed-term contract for a 22-year old

Term		Tobacco Use = No				Tobacco Use = Yes	
		Excellent health	Very Good health	Good health	Average health	Excellent health	Average health
Male	10 Years	\$270	\$300	\$345	\$415	\$665	\$860
	20 Years	\$300	\$335	\$400	\$485	\$865	\$1,050
	30 Years	\$435	\$500	\$585	\$750	\$1,240	\$1,585
Female	10 Years	\$220	\$240	\$255	\$300	\$540	\$620
	20 Years	\$235	\$270	\$315	\$380	\$680	\$815
	30 Years	\$335	\$400	\$435	\$580	\$1,040	\$1,245

Underwriting criteria includes carcinogenic use, health condition, gender, and term.

Annual premium on a \$1,000,000 face amount fixed-term contract for a 22-year old

Term		Tobacco Use = No				Tobacco Use = Yes	
		Excellent health	Very Good health	Good health	Average health	Excellent health	Average health
Male	10 Years	\$410	\$450	\$500	\$650	\$1,130	\$1,490
	20 Years	\$450	\$520	\$670	\$820	\$1,560	\$1,990
	30 Years	\$730	\$860	\$1,050	\$1,370	\$2,380	\$3,000
Female	10 Years	\$290	\$320	\$410	\$520	\$870	\$1,140
	20 Years	\$350	\$430	\$520	\$650	\$1,150	\$1,410
	30 Years	\$550	\$690	\$790	\$990	\$1,970	\$2,220

Underwriting criteria includes carcinogenic use, health condition, gender, and term.

2. Compare the cost per \$1,000 on a term-life policy for a 22-year old using the underwriting criteria used the previous question. This could be used with advanced students to discuss cost structure and the impact of scale on premiums.

Cost per \$1,000 on a \$100,000 face amount fixed-term contract for a 22-year old

Term		Tobacco Use = No				Tobacco Use = Yes	
		Excellent health	Very Good health	Good health	Average health	Excellent health	Average health
Male	10 Years	\$1.35	\$1.44	\$1.64	\$2.00	\$2.55	\$3.11
	20 Years	\$1.42	\$1.52	\$1.67	\$2.03	\$2.63	\$4.26
	30 Years	\$1.89	\$2.06	\$2.30	\$2.53	\$3.75	\$4.70
Female	10 Years	\$1.27	\$1.35	\$1.43	\$1.71	\$2.20	\$2.86
	20 Years	\$1.28	\$1.37	\$1.46	\$1.73	\$2.23	\$2.89
	30 Years	\$1.61	\$1.82	\$1.87	\$2.01	\$3.14	\$3.65

Cost per \$1,000 on a \$500,000 face amount fixed-term contract for a 22-year old

Term		Tobacco Use = No				Tobacco Use = Yes	
		Excellent health	Very Good health	Good health	Average health	Excellent health	Average health
Male	10 Years	\$0.54	\$0.60	\$0.69	\$0.83	\$1.33	\$1.72
	20 Years	\$0.60	\$0.67	\$0.80	\$0.97	\$1.73	\$2.10
	30 Years	\$0.87	\$1.00	\$1.17	\$1.50	\$2.48	\$3.17
Female	10 Years	\$0.44	\$0.48	\$0.51	\$0.60	\$1.08	\$1.24
	20 Years	\$0.47	\$0.54	\$0.63	\$0.76	\$1.36	\$1.63
	30 Years	\$0.67	\$0.80	\$0.87	\$1.16	\$2.08	\$2.49

Cost per \$1,000 on a \$1,000,000 face amount fixed-term contract for a 22-year old

Term		Tobacco Use = No				Tobacco Use = Yes	
		Excellent health	Very Good health	Good health	Average health	Excellent health	Average health
Male	10 Years	\$0.41	\$0.45	\$0.50	\$0.65	\$1.13	\$1.49
	20 Years	\$0.45	\$0.52	\$0.67	\$0.82	\$1.56	\$1.99
	30 Years	\$0.73	\$0.86	\$1.05	\$1.37	\$2.38	\$3.00
Female	10 Years	\$0.29	\$0.32	\$0.41	\$0.52	\$0.87	\$1.14
	20 Years	\$0.35	\$0.43	\$0.52	\$0.65	\$1.15	\$1.41
	30 Years	\$0.55	\$0.69	\$0.79	\$0.99	\$1.97	\$2.22

GLOSSARY

Cash Value: The savings component within a life insurance policy.

Death Benefit: The contractual amount that is paid to a beneficiary upon the death of the insured.

Level Premium Term: A life insurance policy with a level premium paid for a certain number of years, 10, 20, or 30 years, and the policy does not have cash value.

Limited Pay, Whole Life: A cash value life insurance policy with a limited number of premium payments. For example, for a 20-year Limited Pay Whole Life the premiums are paid for 20 years, and insurance coverage is for an insured's lifetime.

Mortality Charges: The cost to cover the probability of death.

Mortality Table: A table that provides the probability of death at any age for a defined population.

Return of Premium Term: A life insurance policy that if you live until the end of the policy period, then the premiums that have been paid are returned to the insured. The policy may provide cash surrender values if the policy is surrendered prior to the end of the policy period.

Universal Life: A cash value policy that has unbundled components and is flexible as the premiums can change and the face amount can be reduced without having to issue a new policy. The unbundled components include a deduction for expenses and mortality charges, and a competitive interest rate paid on the cash value.