

# Insurance Essentials: Your Questions Answered Series

ST. LOUIS, MISSOURI • FEBRUARY 6, 2014



L to R: Cornerstone Mortgage, Inc. Loan Officer Kathy Doyle, Travelers Claim Vice President for the Upper Midwest Greg Bova, Travelers Institute President Joan Woodward and Mid States Agencies Managing Partner Rick Benz

## Keynote Address

Charlie Klauer, Research Scientist, Leader of the Teen Risk & Injury Prevention Group, Virginia Tech Transportation Institute

## Panel Discussion

Moderator – Joan Woodward, President, Travelers Institute; Executive Vice President, Public Policy, The Travelers Companies, Inc.

Rick Benz, Agency Development, Alternatives Insurance Agency; Managing Partner, Mid States Agencies

Greg Bova, Vice President, Claim, Upper Midwest, The Travelers Companies, Inc.

Kathy Doyle, Loan Officer, Cornerstone Mortgage, Inc.

On February 6, 2014, the Travelers Institute visited St. Louis, Missouri for the second stop on its national Insurance Essentials: Your Questions Answered Symposia Series. The event, held in partnership with Mid States Agencies, Alternatives Insurance Agency and Cornerstone Mortgage, Inc., convened community members for an educational discussion on understanding insurance policies and options, including for homeowners, renters, condo, auto, flood and umbrella coverage.

The Travelers Institute® Insurance Essentials: Your Questions Answered Series, which launched in 2013, aims to help consumers have a better understanding of how insurance works so they feel more comfortable and prepared to protect their loved ones, as well as their assets. In St. Louis, Rick Benz, who serves as head of Agency Development for Alternatives Insurance Agency and as Managing Partner for Mid States Agencies, spearheaded bringing the event to his community to help empower consumers in the region.

After a networking breakfast, Joan Woodward, President of the Travelers Institute and Executive Vice President, Public Policy at Travelers, welcomed the audience and explained how the historic impact of Superstorm Sandy in 2012 and conversations with independent insurance agents across the country revealed a need for easy-to-understand information about insurance products. That insight, Woodward said, was a catalyst for launching the multi-year series and publishing the [Travelers Institute® Insurance Guide](#), a toolkit of information about how insurance works.



Guests attend the Insurance Essentials: Your Questions Answered symposium in St. Louis, Mo.

The morning's program commenced with a keynote address on teen driving from Charlie Klauer, Research Scientist and Leader of the Teen Risk & Injury Prevention Group at the Virginia Tech Transportation Institute in Blacksburg, Virginia. Klauer, a nationally renowned leader in transportation research, explained how teen drivers are the most prone to accidents because of their lack of experience. She described how her team took a compelling approach to studying teens' driving by recording driving data and video of teenagers starting at two weeks from licensure through 18 months of driving. The purpose of this research, also called "naturalistic driving," was to visibly monitor and better understand how teenagers learn to drive.

Klauer's research discovered that:

- Those tasks that required the teen drivers to look away from the forward roadway significantly increased their crash/near-crash occurrence
- Not all teen drivers are high risk; there are some safe teen drivers. The highest risk teen drivers crash/near-crash rates do not drop over time
- Parents should continue to ride with their teens after licensure. Teenagers drive much more safely with parents in the vehicle
- Teens who have their own vehicles are more likely to speed than those who share with family members

For context, Klauer juxtaposed these results with those of experienced drivers. The study, "Distracted Driving and Risk of Road Crashes among Novice and Experienced Drivers," published in the *New England Journal of Medicine*, calculated the risks of secondary tasks while driving (e.g., texting, eating, changing the radio dial) to develop an odds ratio for different types of drivers.



Virginia Tech Transportation Institute Research Scientist Charlie Klauer discusses the results of a study on teen driving risks.

The results revealed that the odds ratio for every secondary task is substantially higher for teenage drivers than it is for more experienced drivers.

The keynote concluded with recommendations on how to help teenagers develop into safer drivers more quickly. The first method Klauer suggested was parent-teen driving contracts that hold teens accountable for any tickets or accidents if they are at fault. Secondly, Klauer advocated that parents spend more time with new teen drivers because they drive differently with adult supervision.

Following the keynote address, Woodward and Benz took to the stage with Cornerstone Mortgage, Inc. Loan Officer Kathy Doyle and Travelers Claim Vice President for the Upper Midwest Greg Bova for a panel discussion on insurance education. Woodward began by polling the audience about their knowledge of auto insurance, which revealed that:

- 46 percent of attendees correctly identified comprehensive auto coverage as coverage for vehicle damage not caused by a collision, such as damage from flood, theft, fallen trees or animals (e.g., deer)
- 91 percent of attendees correctly identified liability auto coverage as a policy that covers certain damages and legal defense costs if the policyholder causes an accident, hurts someone or damages someone else's property
- 63 percent of attendees correctly identified auto coverage limits as the maximum amount an insurance carrier will pay in a claim

Woodward transitioned the conversation to homeowners insurance and asked Benz about the growing trend of homeowners raising their deductibles to reduce premium payments. Benz shared that he raised the deductible on his



Rick Benz of Alternatives Insurance Agency and Mid States Agencies discusses what families need to know when they purchase a homeowner's policy.

own home and emphasized that homeowners need to seriously consider their tolerance for loss when buying a policy. He advised consumers to save money by avoiding high-frequency, low-cost claims and reserving insurance policies for true catastrophes and losses they could not handle on their own.

Woodward next asked the panel whether property owners should insure their homes for market value. As a loan officer, Doyle advised that total replacement cost is a best bet and allows you to rebuild your home as it was before it was damaged or destroyed. She cautioned that the policy cannot be for less than the amount of a homeowner's loan and strongly recommended that homeowners purchase insurance through agents who can help clarify last-minute coverage discrepancies.

Looking at add-on policies, the conversation moved to flood insurance. When Woodward asked the audience whether homeowners policies cover floods, 86 percent of the audience correctly responded that standard policies do not cover flooding. Though insurance companies may act as an intermediary for flood insurance, the Federal Emergency Management Agency assesses rates through the National Flood Insurance Program (NFIP). The panel discussed how the NFIP was created by Congress through the National Flood Insurance Act of 1968.

Regardless of location, Benz advised that all homeowners should have some type of flood insurance in place, as any number of accidents and events can cause floods. Though only 17 percent of the audience indicated that they currently have a policy with NFIP, Benz felt that was a normal percentage.

"If there were 4,000 people in the room today, you'd probably have the same percentage [of NFIP policyholders]," he said.

As a lender, Doyle also advocated for flood insurance. Lenders, she said, send appraisers to homes before loans are officially awarded. If the appraiser notices any water damage, she explained that it is Cornerstone's policy to bring in an engineer to check for mold. If mold is found, a loan cannot be issued.

Of all the things homeowners can do to better protect their families and assets with insurance, Benz said that the most important one is to have consistent communication with an independent insurance agent. Additions, finished basements and new decks may not be covered under the homeowner's old policy. A lack of communication can create confusion, Benz said, and ultimately leave homeowners uncovered in the event of a claim.

Bova concluded by providing a few simple tips to remember when filing a claim. First, claimants should take photographs of the damage to provide to adjusters. Anything that threatens safety should be repaired first, he said, though you should inform the insurance company what will be fixed before any evaluation. Being honest about the damage will expedite the filing process, and keeping an ongoing dialogue with the insurance company is critical throughout the claim process. A copy of your insurance policy and documented contents inventory will also provide tangible evidence of any encountered losses.

### **The Travelers Institute**

Travelers established the Travelers Institute as a means of participating in the public policy dialogue on matters of interest to the property casualty insurance sector, as well as the financial services industry more broadly. The Travelers Institute draws upon the industry expertise of Travelers' senior management and the technical expertise of its risk professionals and other experts to provide information, analysis and recommendations to public policymakers and regulators.

### **Alternatives Insurance Agency**

Established in 1992, Alternatives Insurance Agency provides a full line of insurance products including automobile, homeowners, watercraft, motorcycle, recreational vehicles, life, health and commercial markets.

### **Cornerstone Mortgage, Inc.**

Cornerstone Mortgage, Inc. is a full-service mortgage banker, Freddie Mac seller/servicer, Fannie Mae direct seller/servicer and a Ginnie Mae issuer/servicer with in-house processing, underwriting and closing. Headquartered in St. Louis and with 13 office locations, Cornerstone Mortgage is licensed in Missouri, Illinois, California, Ohio and Kansas. Cornerstone Mortgage, Inc. is an Equal Housing Lender (NMLS 223109).

### **Mid States Insurance Agency**

Mid States Insurance Agency, serving Illinois, Kansas and Missouri, is a full-service independent insurance agency with the ability to help with all lines of insurance from personal auto, home, umbrella, boat, motorcycle, life and health, to the business owner with complex needs. In addition, the agency provides perpetuation solutions as well as backroom support to existing agencies.