

# STUDY GUIDE

EXAM PREP AND ANSWER KEY

- **Knowledge Checks**
- **Check-Ins**
- **Self-Quizzes**
- **Sample Exam Questions**
- **Glossary of Terms**



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EDUCATION ALLIANCE

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# STUDY GUIDE

## EXAM PREP AND ANSWER KEY

This Study Guide has been prepared to enhance your learning experience. It contains all of the Check-In questions, Knowledge Checks, and Self-Quizzes contained within the course, along with an Answer Key and Glossary. Use it as a tool to help practice and assess your knowledge of the course material, but *do not* mistake it for a comprehensive "short-cut" to preparing for the final exam.

Be sure to take a look at the Appendix that follows the Answer Key in this Study Guide. It contains valuable suggestions for test preparation and study techniques, as well as some sample exam questions and a glossary of terms.

Your path to success in passing the final exam will come from your attentiveness during the course and the effort you put into preparation.



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# **Tools to Assess Your Knowledge**

Check-Ins, Knowledge Checks,  
and Self-Quizzes by Topic



# Section 1: Strategic Planning

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## Agency Identity

### » Knowledge Check



**Directions:** Read the following description of an agency and write a values statement for that agency.



Strategic Insurance Agency has been in business since 1974. Bob Good was the founder. His two children, Jim and Deborah Good, took over the agency after his retirement in 2010. The agency has 15 employees. Strategic Insurance Agency writes personal lines, commercial lines, surety, and employee benefits. The agency is the second-largest employer in their mid-sized town, occupying a prominent building on Main Street. Every August, the agency is known for spearheading and funding a school supplies drive for the local schools. Jim and Deborah Good continue using the slogan their father coined in 1974, “Call me anytime—because claims don’t always happen on

weekdays between 9:00 and 5:00!” Employees are given three hours per month of paid time to perform volunteer work for a charity of their choice. At some point, Strategic Insurance Agency wants to open two more locations in neighboring counties.

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## Section 1: Strategic Planning

### » Knowledge Check



**Directions:** Referencing the agency description provided in the previous Knowledge Check, write a **vision statement** for the agency.

Strategic Insurance Agency has been in business since 1974. The founder was Bob Good, and his two children took over the agency after his retirement. The agency has 15 employees. Strategic Insurance Agency writes personal lines, commercial lines, surety, and employee benefits. The agency is the second-largest employer in their mid-sized town and has a prominent building on Main Street. Every August, the agency is known for the school supply drive they run and fund for the local schools. They continue using the slogan Bob Good coined in 1974, “Call me anytime—because claims don’t always happen on weekdays between 9:00 and 5:00!” All employees are given three hours per month of paid time to work in a charity of their choice. At some point, Strategic Insurance Agency wants to open two more locations in neighboring counties.

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### » Knowledge Check



**Directions:** Referencing the agency description provided in the two previous Knowledge Checks, write a **mission statement** for the agency.

Strategic Insurance Agency has been in business since 1974. The founder was Bob Good, and his two children took over the agency after his retirement. The agency has 15 employees. Strategic Insurance Agency writes personal lines, commercial lines, surety, and employee benefits. The agency is the second-largest employer in their mid-sized town and has a prominent building on Main Street. Every August, the agency is known for the school supply drive they run and fund for the local schools. They continue using the slogan that Bob Good coined in 1974, “Call me anytime—because claims don’t always happen on weekdays between 9:00 and 5:00!” All employees are given three hours per month of paid time to work in a charity of their choice. At some point, Strategic Insurance Agency wants to open two more locations in neighboring counties.

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# Agency Direction

## » Knowledge Check



**Directions:** Respond to the following prompt.

Write a paragraph that summarizes the major criteria an agency should consider and evaluate when selecting an insurance company to work with.

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## 24/7 Service and Online Web Presence



### » Knowledge Check

**Directions:** Respond to the following prompt.

Discuss the kind and timeline of service you think your agency is prepared to offer and support within your client base.

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# Agency Health



## » Knowledge Check

**Directions:** Read the following scenario and respond to the prompt.

Priority Insurance Agency has been in business for several years. They have grown a large book of business for commercial lines accounts and have well-documented selling and service procedures. Recently, the agency has decided to take advantage of cross-selling opportunities and has started a new department focused on selling employee benefits.

Describe the stage of growth that this agency is in. Note: There may be multiple stages of growth.

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# An Agency's Financial Health



## » Knowledge Check

**Directions:** Read the scenarios and respond to the following questions.

1. ABC Insurance Agency wants to review its expenses and earnings from the past six months to determine whether it has made a profit or a loss. Identify the tool they should use and explain why it would be appropriate in this situation.

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2. The agency management team wants to reduce compensation expenses and notices that many agency staff members are being paid overtime. What kind of analysis should the team perform to manage these expenses, and what potential issues should the team look for?

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# Agency Action

## Check-In



**Directions:** Complete the SWOT analysis.

Reflect on your own agency or department; consider your strengths and weaknesses, and complete a SWOT analysis.

<b>STRENGTHS</b>	
<b>WEAKNESSES</b>	
<b>OPPORTUNITIES</b>	
<b>THREATS</b>	

### » Knowledge Check



**Directions:** Respond to the following prompt.

Reflect on your agency or your own workflow. Write a SMART goal applicable to yourself or to a process that could be improved within your agency.

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## Section 1: Strategic Planning

### » Knowledge Check



**Directions:** Complete the action plan template using the goal provided.

**Goal:** Improve the agency's retention renewal rate by 1% per year for the next five years.

**Responsible Person(s):**

Action Steps	Responsible Person/Group	Beginning Date	Ending Date

## Section 1 Self-Quiz

**Directions:** Respond to the following.

1. Read each statement and decide its purpose—is it a values, vision, or mission statement? Write the letter of each statement in the appropriate column.

Values Statement	Vision Statement	Mission Statement

- A. By 2025, Agency XYZ will be the premiere agency for commercial clients in transportation services.
- B. The team at Agency XYZ will be the go-to source for personal insurance for residents across the tri-state area.
- C. Employees of Agency XYX are committed to providing every client with a customized plan of long-term financial protection.
- D. Agency XYZ is committed to expanding its expertise in green energy initiatives to be the premiere insurance consultants to energy manufacturers across the country.
2. Which of the following statements about values, vision, and mission statements are correct? (Select all that apply.)
- ☐ These statements establish an agency's purpose.
  - ☐ These statements describe an agency's culture.
  - ☐ These statements define an agency's financial aspirations.
  - ☐ These statements result in the passive creation of agency culture.

## Section 1: Strategic Planning

3. A passive approach to workplace culture is preferable because it results in organic workplace norms that boost employee productivity and happiness.

☐ True

☐ False

4. What is one advantage of a sales-oriented agency?

☐ A sales-oriented agency will have an easier time retaining clients.

☐ A sales-oriented agency may experience faster than normal growth.

☐ A sales-oriented agency is profitable because writing business is cheaper than retaining it.

☐ A sales-oriented agency can easily predict and plan workflows.

5. An agency has a contract with a highly rated insurer but cannot consistently meet the insurer's volume requirements. Should the agency consider canceling its contract with the insurer? Explain your reasoning.

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## Section 1: Strategic Planning

6. Agency management is evaluating a potential contract with an insurer. Which of the following would be the best source of information regarding the financial stability of that insurer?

- ☐ Company performance in the stock exchange
- ☐ Client reviews of the claims service provided by the insurer
- ☐ A credit rating agency, like AM Best
- ☐ Resources published by an insurance journal

7. Match the type of commission in the left column to its corresponding example provided in the right column.

A. Flat commissions	_____ 10% premium on any line of coverage
B. Varying rates of commission	_____ 10% on CGL policies less than \$50k in annual premium. 12.5% on CGL policies with annual premiums greater than \$50k.
C. Increasing percentage of commission	_____ 5% on Workers Comp, 15% on property insurance, 20% on umbrella

8. Match the service tools in the left column to their application in the right column.

A. Automated attendant	_____ Used for promotional reasons and potentially to network with prospects
B. Website	_____ Used to filter phone calls to the correct person in the agency
C. Social media	_____ Can provide tools to clients, like the ability to file a claim or receive certificates of insurance

## Section 1: Strategic Planning

9. Agencies go through five stages of growth. Write letter of each characteristic in the appropriate column.

Start-up	Development and Growth	Success	Expansion	Maturity

- A. The agency is fully developed.
- B. The agency owner focuses on strategic goals.
- C. An agency targets new marketing territories.
- D. Staff within the agency are following well-executed procedures.
- E. The agency's owner handles every matter of business.
- F. An agency's client base is increasing.
- G. The agency's client base is unstable.
- H. The agency's owner assesses staff requirements as the agency pursues growth opportunities.
- I. Client service is unreliable and unstable.
- J. Revenue expenses are beginning to balance.
- K. The agency is finally profitable.
- L. The agency owner modifies strategies and builds a leadership team.
- M. The agency owner coordinates department employees as staff expands to meet demand.

10. Explain the difference between a budget and an income statement.

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## Section 1: Strategic Planning

11. An agency's value is based on several factors. List FIVE of these factors.

- a. \_\_\_\_\_
- b. \_\_\_\_\_
- c. \_\_\_\_\_
- d. \_\_\_\_\_
- e. \_\_\_\_\_

12. Which of the following are sources of income for an agency? (Select all that apply.)

- ☐ Commission
- ☐ Interest/investment income
- ☐ Contingency income
- ☐ Accounts payable
- ☐ Leases
- ☐ Education, licenses, and professional fees
- ☐ Fee income

13. Typically, which of the following is one of the largest expenses for an insurance agency?

- ☐ Marketing/advertising
- ☐ Accounting and other professional services
- ☐ Rent
- ☐ Employee salaries and benefits

## Section 1: Strategic Planning

14. Agency management is looking to address what it believes to be overspending in its selling expenses category. What would be the first step to managing these expenses?

- ☐ Conducting a situational analysis
- ☐ Setting targets for future short- and long-term expenses
- ☐ Establishing a new budget
- ☐ Creating an action plan

**Directions:** Use the words from the word bank to complete the following statements.

<b>assets</b>	<b>fixed assets</b>	<b>owns</b>	<b>balance</b>	<b>liability</b>
<b>retained earnings</b>	<b>current assets</b>	<b>long-term liabilities</b>	<b>start-up capital</b>	<b>current liabilities</b>
<b>owes</b>				

15. A(n) \_\_\_\_\_ sheet shows a listing of what an agency \_\_\_\_\_ and what it \_\_\_\_\_.

16. Another name for what an agency owns and owes is \_\_\_\_\_.

17. Cash, accounts receivable, and prepaid expenses are examples of \_\_\_\_\_.

18. Cars, desks, office equipment, and other tangible items are examples of \_\_\_\_\_.

19. A(n) \_\_\_\_\_ is something an agency owes to others.

20. Accounts payable, accounts current, and payroll taxes are examples of \_\_\_\_\_.

21. Payments due more than 12 months into the future are examples of \_\_\_\_\_.

## Section 1: Strategic Planning

22. Owners' equity includes \_\_\_\_\_ and \_\_\_\_\_.

23. Read the SMART goal:

"The sales department will sell new policies or endorsements to at least 200 existing clients every month by asking questions about client needs and clarifying the limitations of their existing coverage."

What is the most apparent issue with the goal?

- ☐ The goal is not measurable.
- ☐ The goal is not relevant.
- ☐ The goal is not specific.
- ☐ The goal is not timed.

24. Match the items on the right to the correct category of the SWOT analysis.

A. Strength	_____ A competitor's agency is making plans to open a new branch next to the agency's headquarters.
B. Weakness	_____ The agency is close to creating a new contract with a highly rated insurer with competitive pricing.
C. Opportunity	_____ The agency has lost some clients due to the pricing of the insurers the agency works with.
D. Threat	_____ The agency has experienced staff who are highly specialized in commercial lines insurance.

## Section 1: Strategic Planning

25. Describe the four components that should be included in an action plan.

a. \_\_\_\_\_

b. \_\_\_\_\_

c. \_\_\_\_\_

d. \_\_\_\_\_

## Section 2: Talent Acquisition and Development

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### Workforce Planning

#### » Knowledge Check



**Directions:** Respond to the following prompt.

Explain why diversity is an important consideration in agency workforce planning.

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## Position Descriptions

### » Knowledge Check



**Directions:** Read the following scenario and respond to the prompt.

Strategic Insurance Agency writes personal lines, commercial lines, surety, and employee benefits. The agency has experienced great success writing large commercial lines policies with many sizeable companies. It is now looking to hire several account managers to ensure the retention of high-touch corporate clients with sophisticated insurance needs.

Write one function of the position described above that could be included in the job description.

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# Recruiting and Hiring

## » Knowledge Check



**Directions:** Respond to the following prompt.

Share examples of “hidden” benefits within your workplace that help attract and retain good employees. Explain what other benefits you think would be an advantage to your agency.

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# Hiring



## » Knowledge Check

**Directions:** Respond to the following prompt.

You are part of the committee hiring a new candidate for a Commercial Lines Producer position. Write an example of an interview question.

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# Employee Development

## » Knowledge Check



**Directions:** Respond to the following question.

Hometown Insurance Agency has recently invested in creating a department in the agency dedicated to the sale of life insurance and has hired three new agents to support this division. Please describe the type (or types) of professional development that could be used to prepare these individuals for success in their roles.

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## Evaluating Performance

### » Knowledge Check



**Directions:** Respond to the following prompt.

Describe a performance standard that could be used for an employee within your agency. Explain an indicator that would be used to show the employee is meeting performance standards.

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# Separation

## » Knowledge Check



**Directions:** Respond to the following question.

Explain why it is critical to have thorough documentation prior to initiating a management-driven separation.

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## Section 2 Self-Quiz

**Directions:** Respond to the following questions.

1. Although it increases retention, workforce planning increases costs for an agency since extensive planning results in increased HR, onboarding, and recruitment costs.

**True**

**False**

2. Select all of the following statements about workforce diversity that are true.

- ☐ Workforce diversity can improve and enhance employee recruitment.
- ☐ Workforce diversity is legally required, as per the EEOC.
- ☐ Workforce diversity may increase innovation income in the agency.
- ☐ Workforce diversity can help prevent discriminatory behavior.

3. Which one of the following accurately defines “soft skills”?

- ☐ Soft skills are unchangeable traits, such as personality or behavior.
- ☐ Soft skills relate to areas such as product knowledge and formal education.
- ☐ Soft skills are general, non-technical traits like timeliness and empathy.
- ☐ Soft skills are technical abilities, like computer and AMS knowledge.

## Section 2: Talent Acquisition and Development

4. Read the following portion of a position description posted for an account manager:

*"Manage client relationships by addressing inquiries, providing information about insurance policies, and assisting with policy renewals."*

What is a potential issue with this position description? Select the best answer.

- ☐ The position description does not accurately address what an account manager does.
  - ☐ The position description does not include specific performance expectations.
  - ☐ The position description could not be used as a tool for interviewing.
  - ☐ The position description is too detailed and could confuse candidates.
5. Match the term in the left column with its definition.

A. Knowledge	_____ Measurable and observable qualities needed to perform in the role
B. Skills	_____ Competencies needed to perform certain tasks
C. Abilities	_____ Areas of expertise the candidate should have

6. According to surveys, what is the top motivator for potential job seekers?

- ☐ Educational Opportunities
- ☐ Employee Benefits
- ☐ Vacation Time
- ☐ Pay

## Section 2: Talent Acquisition and Development

7. Why is it potentially beneficial for agencies to offer remote/hybrid work opportunities?
- ☐ Agencies that offer remote/hybrid work opportunities always have higher employee retention.
  - ☐ Agencies that offer remote/hybrid work opportunities can attract a wider range of applicants, such as those who cannot commute daily.
  - ☐ Agencies that offer remote/hybrid work opportunities can monitor their employees more closely.
  - ☐ Agencies that offer remote/hybrid work opportunities have an easier time complying with equal employment opportunity laws.
8. Which one of the following is an example of a non-traditional employee benefit?
- ☐ Vision and Dental
  - ☐ Fertility Assistance
  - ☐ High Deductible Health Plan (HDHP)
  - ☐ Paid Time Off (PTO)
9. An agency is seeking to recruit entry-level employees who are interested in training and growing with the agency. Which one of the following recruitment options would best accomplish this goal?
- ☐ Recruiting at a local community college job fair.
  - ☐ Attending an industry conference for independent insurance agents.
  - ☐ Advertising job openings on a platform such as LinkedIn or Indeed.
  - ☐ Asking current employees to recommend anyone they know for the positions.

## Section 2: Talent Acquisition and Development

10. Which law prohibits discrimination in employment based on gender, race, national origin, ethnicity, and religion?
- ☐ Age Discrimination Act of 1967
  - ☐ Title VII of the Civil Rights Act of 1964
  - ☐ Immigration Reform and Control Act
  - ☐ Americans with Disabilities Act
11. A hiring committee is reviewing a résumé. Which of the following would be a reason to reject an applicant? Select all that apply.
- ☐ The applicant's name is unfamiliar and difficult to pronounce.
  - ☐ The applicant has a year-long gap in their employment history.
  - ☐ The applicant made multiple typos throughout the résumé.
  - ☐ The applicant has worked at five agencies in the past year and a half.
12. Match the scenarios in the right column to the type of bias that may have occurred during the interview process.

A. Halo Effect	_____ After 10 interviews, the interviewer hires the last candidate that they interviewed.
B. Primacy Bias	_____ The interviewer hires a candidate who enjoys the same hobbies and grew up in the same town.
C. Recency Bias	_____ After 10 interviews, the interviewer hires the first candidate that they interviewed.

## Section 2: Talent Acquisition and Development

13. ABC Insurance Agency is concerned with protecting its book of business when an agent resigns. Which of the following agreements is best suited to protecting ABC Insurance Agency? Take legal factors into consideration.

- ☐ Non-Disclosure Agreement
- ☐ Non-Compete Agreement
- ☐ Non-Piracy Agreement
- ☐ Confidentiality Agreement

14. What is the purpose of an employee manual or handbook?

- ☐ To provide a detailed description of the agency's organizational structure
- ☐ To outline agency policies, procedures, and expectations for employees
- ☐ To serve as a marketing tool for attracting new agency clients
- ☐ To offer a comprehensive list of the agency's financial statements

15. Read the employee profiles in the right column and decide what type of training would be appropriate for the individual.

A. Technical Training	_____ Samantha recently graduated college and joined the agency as an account manager. She has never worked in insurance before.
B. Sales Training	_____ Tim has expressed an interest in eventually becoming a manager but states that he wants to improve his communication skills first.
C. Soft Skills Training	_____ Rafael has issues meeting the established sales quota for his position.



## Section 2: Talent Acquisition and Development

16. Which of the following is a disadvantage of internally developed training?

- ☐ It is expensive for the agency since they will have to find experts to produce the training.
- ☐ It runs the risk of not resolving systemic issues within the agency.
- ☐ It requires employees to be motivated to complete education at their own pace.
- ☐ It will not be aligned with the agency's culture and vision.

17. How often should employee performance be measured?

- ☐ Quarterly
- ☐ Semi-annually
- ☐ Annually
- ☐ Continuously

18. What is the goal of a performance improvement plan (PIP)?

- ☐ To signal to an employee that they should consider voluntarily resigning
- ☐ To coach an employee so that they have a chance to meet agency standards
- ☐ To comply with equal employment opportunity statutes to avoid a lawsuit
- ☐ To improve the performance of a department or specific team in the agency

19. Why is it important to document issues with employees prior to separation? (Select all that apply.)

- ☐ Documentation provides a clear record of conduct that supports a termination decision.
- ☐ Documentation is important for the agency's financial reports and audits.
- ☐ Documentation helps protect the agency in the event a claim of discrimination occurs.
- ☐ Documentation is needed to comply with legal requirements for employee reviews.

## Section 2: Talent Acquisition and Development

20. Which one of the following is a potential legal liability during the exit interview process?

- ☐ The exiting employee may feel pressured to participate in the exit interview, which can impact the likelihood that they would recommend the agency as an employer.
- ☐ The exiting employee may want to retain a good relationship with the agency, so they may not be completely honest during the exit interview.
- ☐ The exiting employee may make a claim of discrimination, which may not be handled correctly during the exit interview.
- ☐ The exiting employee may strongly dislike the agency, so their feedback may be inaccurate and unreliable.

## Section 3: Client Retention and Acquisition

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### Know the Brand

#### » Knowledge Check



**Directions:** Respond to the following prompt.

Describe your agency's brand and explain how that brand meets client needs or expectations in the marketplace.

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## Market for Success

### » Knowledge Check



**Directions:** Read the following scenario and respond to the prompt.

ABC Insurance Agency has decided to increase its written premium for commercial insurance products in the next six months. It will do so by attracting 50 new small business clients and highlighting its expertise in providing tailored commercial solutions to the specific needs of small businesses.

Assume ABC Insurance Agency has successfully completed steps 1 through 3 of developing a marketing program. Describe some marketing materials and strategies the agency can use to assist its marketing program and reach its desired goals.

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## Build and Keep Relationships



### » Knowledge Check

**Directions:** Identify and share a specific technique or strategy you have found effective in providing quality client service and retaining clients.

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## Determine Profitability



### » Knowledge Check

**Directions:** Read the scenario and respond to the question.

Superior Insurance Agency is considering a proposal to Eddy's Crane Rental Company to write their insurance. Both the general liability policy and automobile policy have high premiums. The agency is worried that the work involved to service this account may be excessive. How can the agency estimate in advance whether the account will generate enough revenue to pay the producer and overcome the servicing costs?

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## Section 3 Self-Quiz

**Directions:** Respond to the following questions.

1. Which one of the following statements about customer expectations is correct?
  - ☐ Clients today are willing to give information freely to businesses that request it.
  - ☐ Clients today are generally unwilling to use technology and prefer human interaction.
  - ☐ Clients today want a simple option, even if it is not customized to their own needs.
  - ☐ Clients today expect 24/7, around-the-clock service and quick issue resolution.
2. The internal and external factors that bring clients to an agency and keep them there communicate the agency's \_\_\_\_\_.
3. List the five steps in a successful marketing program.
  - a. \_\_\_\_\_
  - b. \_\_\_\_\_
  - c. \_\_\_\_\_
  - d. \_\_\_\_\_
  - e. \_\_\_\_\_

### Section 3: Client Retention and Acquisition

4. Why is it important to set goals before creating a marketing plan? (Select all that apply.)

- ☐ Goals will clarify the metrics that will be used to measure plan success.
- ☐ Goals will eliminate the need for any adjustments during the marketing process.
- ☐ Goals will identify the resources needed to implement a marketing plan.
- ☐ Goals will ensure that competitors cannot replicate the marketing plan.

5. Which of the following are considerations the agency should make when selecting a target audience for their marketing plan? (Select all that apply.)

- ☐ The agency should consider the available prospects for the products.
- ☐ The agency should consider what their competition is doing.
- ☐ The agency should determine how it can differentiate itself from competitors.
- ☐ The agency should focus on the largest audience possible.

**Directions:** Circle the word that correctly completes the statement.

6. An agency's marketing plan begins with clear \_\_\_\_\_.

actions

goals

7. List four attributes of an effective agency website.

a. \_\_\_\_\_

b. \_\_\_\_\_

c. \_\_\_\_\_

d. \_\_\_\_\_

### Section 3: Client Retention and Acquisition

8. Central Agency wants to increase the usability of its website to make it more appealing to its existing clients. Explain what features Central Agency should consider adding to its website to expand service for existing clients.

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9. South North Agency's marketing department recently created a video using customer testimonials to convey the value and importance of umbrella policies. What would be an effective way of using this piece of media to increase sales? (Select all that apply.)

- ☐ Include the video in an email newsletter to existing clients who could benefit from but do not hold umbrella coverage with the agency.
- ☐ Upload the video to YouTube and ask agency employees to share it with any of their current clients they think would find it interesting.
- ☐ Post the video on LinkedIn and use targeted advertising with it to reach individuals and businesses that would benefit from an umbrella policy.
- ☐ Share the video internally with members of the agency so that it can serve as a motivational tool for agency employees.



### Section 3: Client Retention and Acquisition

10. TreeFall Agency has recently improved its online quoting form and plans to advertise the improvements in their promotional content. The goal is to increase the number of sales conversions that originate from the online quoting form by 10%. Explain some metrics the agency could use to evaluate the plan's success.

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11. List the three guiding principles of client retention.

- a. 

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- b. 

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- c. 

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### Section 3: Client Retention and Acquisition

12. An employee at the agency is discussing an auto policy with a client. The agent states, "In Texas, PIP is optional. You can sign a waiver, but I highly recommend keeping this protection. It only adds a few dollars to your premium each month."

How might this statement negatively impact the relationship and quality of service the agent is providing? What should the agent do instead?

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13. How does an insurance agency's website impact the quality of customer service they can provide?

- ☐ A well-designed website streamlines client interactions, making it easier for clients to access information and services.
- ☐ A website does not directly impact quality customer service since service depends entirely on person-to-person interactions.
- ☐ The agency website is only useful for marketing and does not influence the customer service experience.
- ☐ A website reduces the need for customer service by automating all client inquiries and eliminating the need for personal interactions.

### Section 3: Client Retention and Acquisition

14. Define the term cross-selling and explain why it contributes to client retention.

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15. Match the client retention responsibility described in the right column to the relevant individual or group.

A. Agency Owners	_____ Identify cross-selling opportunities
B. Agency Producer or Account Manager	_____ Determine the scope of a client-retention plan and measures the result
C. Company Personnel	_____ Apply broad knowledge of companies to offer insights into cross-selling opportunities

16. There are economic reasons for promoting client retention.

**True**

**False**

17. Knowing why clients leave can lead to profitable opportunities.

**True**

**False**

### Section 3: Client Retention and Acquisition

18. Which reports can an agency use to measure the success of client retention efforts? (Select all that apply.)

- ☐ Revenue reports
- ☐ Expense reports
- ☐ Marketing reports
- ☐ Cancellation reports

19. Which of the following questions must an agency ask when considering the expenses related to soft costs? (Select all that apply.)

- ☐ Does the producer have the expertise to secure an account?
- ☐ What technology is required to secure new clients?
- ☐ If a producer needs a mentor, how will the mentor's time away from their work affect expenses?
- ☐ How will marketing efforts affect producer performance?
- ☐ Is staff support necessary to secure a new client?
- ☐ How do bonuses affect expense calculations?

20. How can an agency calculate an account's profitability?

- ☐ Determine the amount of non-compensation expenses directly attributable to the account and compare it to the profit it earns.
- ☐ Compare the commission earned on the account to the marketing expenses associated with obtaining the lead.
- ☐ Multiply the hourly wage of the account manager by the hours it takes to service the account. Divide this number from the revenue generated by the account.
- ☐ Calculate the total number of accounts the agency has and look at gross revenue to determine the average profitability of an account.

### Section 3: Client Retention and Acquisition

21. Greenfield Insurance Agency has been handling the needs of a local business called EcoTech Solutions. The account is difficult to work with and, overall, not profitable for the agency. However, EcoTech Solutions is prominent in the business community and frequently provides referrals for the agency. Should Greenfield Insurance Agency end its relationship with EcoTech Solutions? Why, or why not?

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## Section 3: Client Retention and Acquisition

## Section 4: Technology Utilization

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### Levels of Technology Utilization



#### » Knowledge Check

**Directions:** Read the description of an insurance agency's technological utilization and respond.

Tower Insurance Agency has successfully implemented a workflow where, when a client calls, their account is automatically displayed on the servicer's computer screen from the agency management system. While speaking with the client, the change request is entered, and before the call ends, the client receives an email confirming the requested change. The telephone call is recorded and automatically saved as an attachment to the client's account in the agency management system.

What level of technology utilization best describes this agency? Explain your rationale.

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## Conducting an Internal needs Assessment



### ►► Knowledge Check

**Directions:** Respond to the following.

An agency is weighing whether to switch to a new agency management system. What are some factors that management should consider before making the switch?

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# Using an Operational Assessment to Improve Workflows



## » Knowledge Check

**Directions:** Describe the relationship among standards, procedures, and workflows.

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## Information Management



### » Knowledge Check

**Directions:** Respond to the following.

OakTree Insurance Agency sells life insurance. Consequently, they collect and have access to clients' health information used for underwriting purposes. How can the insurance agency ensure that their clients' information is adequately protected?

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## The Benefits and Challenges of Information Management Systems



### » Knowledge Check

**Directions:** Respond to the following.

How does using technology tools enhance an insurance agency's efficiency? Provide examples of specific processes that benefit from these tools.

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## Section 4 Self-Quiz

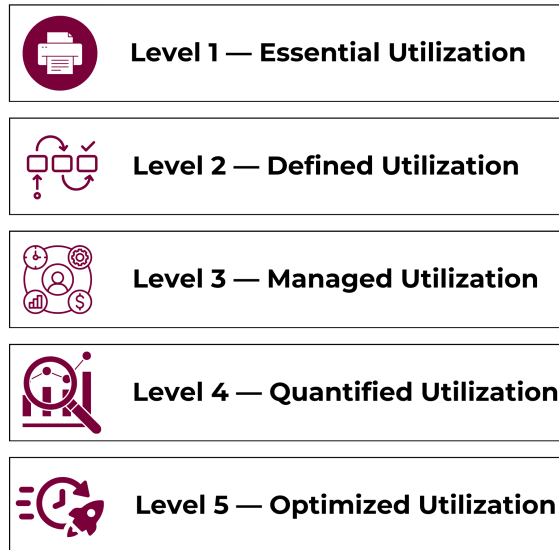
**Directions:** Respond to the following questions.

1. Technology affects agency performance. Match each example in the left column by writing its corresponding letter next to the effect of technology being described. The technology benefits on the right can apply to more than one example from the left.

A. Clients have instant access to information.	_____ Technology increases revenue.
B. Agents can communicate with clients in a variety of ways.	_____ Technology allows measurement.
C. Both employees and clients benefit from controlled and consistent experiences, leading to greater satisfaction.	_____ Technology improves the customer experience.
D. Employees can work from any location.	_____ Technology helps build a consistent experience.
E. Consistency reduces possible E&O exposures.	_____ Technology offers flexibility.
F. Standardized workforce practices reduce employee stress, making the work environment more enjoyable.	_____ Technology can increase employee satisfaction.
G. The ability for any number of people to process more transactions increases per-person revenue.	
H. Agents can focus more on customer service than on transactions.	
I. Unchanging or invariable practices reduce exposures to E&O claims.	
J. Employees can access personal training opportunities.	
K. Any given number of people can process more transactions.	

## Section 4: Technology Utilization

2. Read the characteristic, then write the number of the corresponding technology utilization level. Use the diagram below as a reference. The first one has been done for you.



Characteristics	Level Number
A. Technology is used to conduct more of the various tasks of running an agency, thus reducing the overall burden on employees.	<u>5</u>
B. There is a focus on how staff manage the agency's short- and long-term goals.	_____
C. Agency data integration with carrier systems exists but is not fully used.	_____
D. Technology systems are integrated so that phones and other forms of communication work with an agency's management system.	_____
E. Although some technology is in use, such as phones and workstations, overall technology use is minimal.	_____
F. An agency prioritizes measuring the results of its technology and analyzing those results to determine how they affect the agency in the most positive ways.	_____
G. Practical uses of technology for the purpose of creating efficient workflows and procedures are being defined.	_____

## Section 4: Technology Utilization

Characteristics	Level Number
H. Technology integration is seamless, moving the emphasis from the agency's needs to the customer's needs.	_____
I. An agency is beginning to measure the value and efficiency its technology provides.	_____
J. Only the basic features of any existing agency management system are used.	_____
K. Workflows and technology provide strategic and reliable processes that focus on customer needs.	_____
L. An agency is deciding the minimum amount of data it needs to collect.	_____

**Directions:** Select whether the following statement is True or False.

3. Moving from one technology level to another should always be done one level at a time.

**True**

**False**

4. An agency with highly effective strategic planning can instantly skip levels to reach technology utilization Level 5.

**True**

**False**

5. Realistic goals and time frames are required for an agency to move forward from one technology utilization level to another.

**True**

**False**

6. Which one of the following is an example of a technology conversion in the agency?

- ☐ An agency retires its logins for a rating system with a carrier it no longer uses.
- ☐ An agency sets up an auto attendant to filter incoming client calls to the agency.
- ☐ An agency purchases lead-scoring software to assist its sales staff.
- ☐ An agency changes from its on-site legacy agency management system to a new, cloud-based software.

## Section 4: Technology Utilization

7. Explain why an agency should conduct an internal needs assessment before deciding whether to upgrade or convert its technology.

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## Section 4: Technology Utilization

8. Sequence the steps of the internal needs assessment in the correct order by writing the number of the step next to its description.

Description	Step #
Create a report comparing identified options with the information and data collected during the internal needs assessment.	_____
Plan for a commitment to employee training.	_____
Develop a set of questions and answers to guide the thinking, research, and decision-making process. Make a checklist of current/future needs.	_____
Weigh upgrades versus conversions.	_____
Establish time-related goals.	_____

9. Which of the following correctly explains why an agency would select a cloud-based data solution over in-house storage?
- ☐ Cloud-based data solutions are more expensive and require agency staff to maintain them but also are more secure.
  - ☐ Cloud-based data solutions are more cost-effective and secure than an agency maintaining its own on-site database.
  - ☐ Cloud-based data solutions require no internet connection to access, making them more reliable than in-house systems.
  - ☐ Cloud-based data solutions are more cost-effective, even though they are difficult to scale when the agency grows.

**Directions:** Select the correct answer.

10. Employee training is a \_\_\_\_\_.

**hard cost**

**soft cost**

11. A loss of productivity time spent devoted to training is a \_\_\_\_\_.

**hard cost**

**soft cost**

## Section 4: Technology Utilization

12. The physical equipment required for technology implementation is a \_\_\_\_\_.

**hard cost**

**soft cost**

13. Which one of the following statements about reports during an upgrade/conversion is correct?

- ☐ Search and report formats across technological solutions are generally similar, so this is not a large area of concern for agencies contemplating upgrades.
- ☐ New technological systems can easily improve reporting capabilities without any additional customization or cost.
- ☐ Agencies upgrading their systems rarely need to worry about report accuracy, as new systems ensure precise data reporting automatically.
- ☐ Existing agency report formats may be incompatible with the new system. The additional time taken to customize and transfer reports will create more costs for the agency.

14. Match the descriptions in the left column to the correct term on the right.

A. Every step required to complete a procedure	Standard: _____
B. An acceptable level of performance	
C. A clear list of things or steps an agency must do to meet a standard	Procedure: _____
D. Contributes to agency's brand	
E. An explanation of who is responsible, what must be done, and when it must be done	Workflow: _____
F. Every keystroke required to complete a procedure	



## Section 4: Technology Utilization

15. List five benefits of establishing standards, procedures, and workflows.

- a. \_\_\_\_\_
- b. \_\_\_\_\_
- c. \_\_\_\_\_
- d. \_\_\_\_\_
- e. \_\_\_\_\_

16. Operational assessments should be used to: (Select all that apply.)

- ☐ Evaluate individual employees in terms of performance.
- ☐ Support the agency's goals and missions.
- ☐ Identify training needs or redundant procedures.
- ☐ Ensure adherence to agency workflows.

17. Explain the purpose of staff stratification.

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## Section 4: Technology Utilization

18. Select all the actions an agency should take to manage information effectively.

- ☐ Fill in every field within a database.
- ☐ Use appropriate naming conventions.
- ☐ Complete the Full Client Detail in a database.
- ☐ Print and store hard copies of all documents.
- ☐ Keep databases up to date.
- ☐ Provide all employees with customized training in data management.

19. List four kinds of data that should be entered into an agency's management system.

- a. \_\_\_\_\_
- b. \_\_\_\_\_
- c. \_\_\_\_\_
- d. \_\_\_\_\_

**Directions:** Select whether the following statements are True or False.

20. A workflow should always start at the beginning, with client data entered first.

**True**

**False**

21. Entering data in the middle of a workflow can lead to data backflow.

**True**

**False**

22. Working backward can save time and money.

**True**

**False**

## Section 4: Technology Utilization

23. Data backflow has little to no effect on data integrity.

**True**

**False**

24. List seven examples of electronic documents that an agency can collect, store, and manage.

a. \_\_\_\_\_

b. \_\_\_\_\_

c. \_\_\_\_\_

d. \_\_\_\_\_

e. \_\_\_\_\_

f. \_\_\_\_\_

g. \_\_\_\_\_

25. Back-end scanning refers to capturing and storing incoming documents in an electronic database as soon as they are received.

**True**

**False**

## Section 4: Technology Utilization

26. List five examples of PII.

a. \_\_\_\_\_

b. \_\_\_\_\_

c. \_\_\_\_\_

d. \_\_\_\_\_

e. \_\_\_\_\_

27. To protect client information, agencies should minimize *and* purge. Explain what it means to minimize data and what it means to purge data.

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## Section 4: Technology Utilization

28. Technology presents both benefits and challenges to an agency. Write the letter of each example in the appropriate column.

Benefits of Technology	Challenges Related to Technology
<p>A. It allows employees to enter information only once.</p> <p>B. Not all companies support an agency's workflows.</p> <p>C. An agency needs different workflows for companies that do not support bridging.</p> <p>D. Processing is expedited for routine requests.</p> <p>E. Employees reduce E&amp;O exposures by decreasing the likelihood that data is entered incorrectly.</p> <p>F. Data quality improves and opportunities for human error diminish.</p>	

## Section 4: Technology Utilization

29. Downloading is the process of transferring information electronically from an insurance company database to an agency management system. IT brings both benefits and challenges to an agency. Write the letter of each example in the appropriate column.

Benefits of Technology	Challenges Related to Technology
<p>A. Download failures can lead to problems, such as data overwrites.</p> <p>B. The possibility of data-entry mistakes decreases, reducing E&amp;O exposures.</p> <p>C. A failure to conduct daily download audits may result in undiscovered errors or glitches, compromising an agency's database.</p> <p>D. Processing work may decrease in the agency.</p> <p>E. A workflow begins in an agency management system or comparative rating system.</p> <p>F. An agency may need different workflows to work with carriers that do not support bridging.</p> <p>G. Not all insurance companies support commercial line downloads.</p> <p>H. More insurance carriers provide support for personal lines downloads.</p>	

30. Which of the following correctly explains an advantage of a proprietary carrier rating system over a comparative rating system?

- ☐ Proprietary systems avoid the need to enter data manually with multiple carriers.
- ☐ Proprietary systems include underwriting and declination capabilities.
- ☐ Proprietary systems allow agents to obtain quotes from multiple carriers at once.
- ☐ Proprietary systems have public access and do not require unique logins and passwords.

## Section 4: Technology Utilization

31. List five examples of real-time transactions that can occur when carrier and agency management systems interpret and transfer data.

a. \_\_\_\_\_

b. \_\_\_\_\_

c. \_\_\_\_\_

d. \_\_\_\_\_

e. \_\_\_\_\_

## Section 4: Technology Utilization



# Section 5: Ethical Responsibility

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## Ethics in the Workplace



### » Knowledge Check

**Directions:** Respond to the following.

1. Describe the role agency management plays in creating ethical behavior in the agency.

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2. Read the case study and use an ethical decision-making process to answer the question.

You are a producer in a local insurance agency. Recently, you connected with a business owner at a Chamber of Commerce luncheon. The owner is excited about having you quote and write his business. Returning to the office, you attempt to enter this prospect into your sales management system, only to find that the business is already entered as a prospect assigned to another producer in the agency. You notice that the producer has not contacted the business in over three years. You know you can land this account.

What should you do?

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# Legal Duties

## » Knowledge Check



**Directions:** Respond to the following questions.

According to case law, what duties does an agent owe to the insured? How does a special relationship change these duties?

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## » Knowledge Check



**Directions:** Respond to the following.

A client has a multi-million-dollar beach house they want insured. Desiring to make a sale, the agent issues a policy required for properties of this value without approval from the insurer. The client now assumes they have coverage for their property.

What types of authority could apply to this situation?

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# Unfair Trade Practices

## » Knowledge Check



**Directions:** Respond to the following.

An insurance agent has a fee income arrangement with a New York-based commercial customer. To retain the customer, the agent decides to return a portion of his commission directly to the customer.

Did the agent commit an unfair trade practice? Explain your answer.

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## Ethics and Errors and Omissions Claims

### » Knowledge Check



**Directions:** Respond to the following.

HomeTown Insurance is excited to offer a new product aimed at insuring high-value residential properties. How do these new offerings pose an E&O risk for the agency? What steps can the agency take to minimize that risk?

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## Section 5 Self-Quiz

**Directions:** Complete the matching exercise.

- Write the letter the phrase that defines each principle.

A. Honesty	_____	Making every effort to fulfill commitments
B. Loyalty	_____	Avoiding deception
C. Respect for Others	_____	Respecting human dignity
D. Leadership	_____	Protecting a company's reputation and safeguarding employee morale
E. Integrity	_____	Following the Golden Rule
F. Fairness	_____	Exercising power without taking advantage of others
G. Law Abiding	_____	Accepting responsibility for one's decisions
H. Reputation and Morale	_____	Demonstrating fidelity to clients, colleagues, and institutions
I. Trustworthiness	_____	Recognizing the responsibilities attached to position of leadership
J. Concern for Others	_____	Doing what is right, even when under pressure to do otherwise
K. Commitment to Excellence	_____	Being well-informed and dedicated to improving professional proficiency
L. Accountability	_____	Following rules, regulations, and laws

## Section 5: Ethical Responsibility

**Directions:** Respond to the following.

2. The Jones couple had a loss on their dwelling. The insurer has just offered a payment that you think needs to be higher for the amount that was lost. The Jones couple has come to you to ask whether the claim settlement is fair. The couple has not hired a public adjuster or an attorney. This is your most competitive insurer, but your clients have had several claims lately, and the regional manager has suggested that your contract may only be renewed if your loss ratio improves.

As the agent, what should you do? Use the ethical decision-making process and provide your response below.

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## Section 5: Ethical Responsibility

3. Which of the following statements about agency codes of ethics are correct? (Select all that apply.)

- ☐ An agency code of ethics is a set of guidelines and principles that clarify how employees should conduct business with honesty, integrity, and responsibility.
- ☐ Agencies are not responsible for creating a code of ethics. It is up to individual employees to learn how to behave ethically.
- ☐ Agency codes of ethics should be based on agency values, stakeholder expectations, and legal responsibilities.
- ☐ An agency code of ethics should be written once and remain constant. Agencies should avoid updating or revising them.
- ☐ Agencies should provide employee education to reinforce ethical expectations and clarify how employees should behave.

4. List three management-driven reasons why employees behave unethically.

- a. \_\_\_\_\_
- b. \_\_\_\_\_
- c. \_\_\_\_\_

5. List the four legal/ethical duties an insurance agent owes to their clients.

- a. \_\_\_\_\_
- b. \_\_\_\_\_
- c. \_\_\_\_\_
- d. \_\_\_\_\_



## Section 5: Ethical Responsibility

**Directions:** Select whether the following statement is True or False.

6. The existence of a special relationship expands the duties/obligations the agent would normally have to an insured.

**True**

**False**

7. Since agents are professionals, a special relationship exists automatically with all of their clients.

**True**

**False**

8. In *Hardt v. Brink*, which factors contributed to the court's conclusion that the agent had a special relationship with his client? (Select all that apply.)

- ☐ The agent had more knowledge than the client. Since there was a disparity in knowledge about insurance, a "special relationship" was established.
- ☐ The agent had created insurance solutions and handled claims for the client for almost a decade.
- ☐ The agent was licensed, so as a licensed professional, all his client relationships are considered "special relationships."
- ☐ The agent intentionally represented himself as an expert on his own promotional materials.

**Directions:** Select the correct term to complete the following statements.

9. A(n) \_\_\_\_\_ is a party authorized to act ethically on behalf of another. Parties include principals, agents, and third parties.

**special relationship**

**legal agent**

10. An insurance agent is appointed by a(n) \_\_\_\_\_ to solicit applications, collect premiums, and bind policies.

**broker**

**insurer**

## Section 5: Ethical Responsibility

11. A(n) \_\_\_\_\_ acts or aids in negotiating insurance contracts.

**broker**

**insurer**

12. A managing general agent has \_\_\_\_\_, claims, and reinsurance placement authority from an insurer.

**solicitation**

**underwriting**

13. Match the scenarios with the type of authority being described.

A. Actual Authority	_____	An agency is granted the ability to bind coverage for residential property worth up to \$750,000.
B. Implied Authority	_____	An agent binds coverage for a property without obtaining the required approval stipulated by the insurance company's contract for high-value property. The owner of the property assumes they are now covered.
C. Apparent Authority	_____	An agency uses an insurance company's logo on its website. Although the contract with the insurer does not address website marketing, the insurer did provide the agency with other marketing materials to use.
D. No Authority	_____	An agent convinces an insurer to accept 12 equal installments of premium without interest for an account. However, the agent tells the client they need to collect the entire yearly premium. The agent then places the premium in an account to earn interest.

## Section 5: Ethical Responsibility

**Directions:** Choose the word or words from the word bank that match each description for questions 14–19.

<b>Unfair claims practices</b>	<b>Rebating</b>
<b>False advertising</b>	<b>Tied selling</b>
<b>Misrepresentation</b>	<b>Twisting and replacement codes</b>

14. Making unnecessary demands of a client for the purpose of processing or settling a claim.  
\_\_\_\_\_
15. Making false statements that affect a consumer's decision to accept the terms of a contract. \_\_\_\_\_
16. Using confusing, misleading, or untrue statements to promote the purchase of a product or service. \_\_\_\_\_
17. Offering an inducement to do business with an agency. \_\_\_\_\_
18. Suggesting a client purchase additional life insurance or a replacement policy purely for the purpose of generating additional commission. \_\_\_\_\_
19. Making the purchase of one product or service contingent upon the purchase of another.  
\_\_\_\_\_

## Section 5: Ethical Responsibility

20. Which of the following circumstances can lead to an E&O claim against an agency? (Select all that apply.)

- ☐ A client's policy is not renewed due to non-payment of premium.
- ☐ A key employee departs the agency.
- ☐ A client knowingly attempts to commit insurance fraud.
- ☐ The agency begins selling a new product.
- ☐ The agency changes and updates its agency management system.

21. Write letters in the correct columns to sort the reasons different parties can make E&O claims against an agency.

Why Clients Make Claims	Why Carriers Make Claims	Why States Make Claims

- |   |   |
|---|---|
| A. Failure to follow legal instructions   | F. Failure to place on best available terms   |
| B. Failure to procure coverage            | G. Failure to supply underwriting information |
| C. Changing established services          | H. Lack of or modified coverage               |
| D. Failure to meet licensing requirements | I. Misrepresentation of risk to the company   |
| E. Deceptive trade practices              |   |

## Section 5: Ethical Responsibility

22. Which step can help protect an agency against E&O claims?

- ☐ Evaluate employee performance and remove underused workflows.
- ☐ Regularly delete documentation and client information.
- ☐ Educate employees, especially when changes are made in the agency.
- ☐ Minimize documentation of routine interactions to improve efficiency.

23. Should an E&O claim occur, how should an agency respond? (Select all that apply.)

- ☐ Openly discuss the claim with all involved staff in a meeting.
- ☐ Notify their E&O carrier and follow their instructions.
- ☐ Attempt to resolve the claim directly with the client.
- ☐ Prepare to participate in a deposition and answer questions honestly.

## Section 5: Ethical Responsibility

# **Answer Key**





# Section 1: Strategic Planning

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## Agency Identity



### » Knowledge Check

**Directions:** Read the following description of an agency and write a values statement for that agency.



Strategic Insurance Agency has been in business since 1974. Bob Good was the founder. His two children, Jim and Deborah Good, took over the agency after his retirement in 2010. The agency has 15 employees. Strategic Insurance Agency writes personal lines, commercial lines, surety, and employee benefits. The agency is the second-largest employer in their mid-sized town, occupying a prominent building on Main Street. Every August, the agency is known for spearheading and funding a school supplies drive for the local schools. Jim and Deborah Good continue using the slogan their father coined in 1974, “Call me anytime—because claims don’t always happen on weekdays between 9:00 and 5:00!” Employees are given three hours per month of paid time to perform volunteer work for a charity of their choice. At some point, Strategic Insurance Agency wants to open two more locations in neighboring counties.

Strategic Insurance Agency places its clients above all else. We respond promptly and honestly to all questions and issues from clients and carriers. We strive to support our community in positive ways, understanding that our impact on other community organizations makes us a stronger agency. We support one another in the agency and work as a united team to value one another and each individual's contribution.

### » Knowledge Check



**Directions:** Referencing the agency description provided in the previous Knowledge Check, write a **vision statement** for the agency.

Strategic Insurance Agency has been in business since 1974. The founder was Bob Good, and his two children took over the agency after his retirement. The agency has 15 employees. Strategic Insurance Agency writes personal lines, commercial lines, surety, and employee benefits. The agency is the second-largest employer in their mid-sized town and has a prominent building on Main Street. Every August, the agency is known for the school supply drive they run and fund for the local schools. They continue using the slogan Bob Good coined in 1974, “Call me anytime—because claims don’t always happen on weekdays between 9:00 and 5:00!” All employees are given three hours per month of paid time to work in a charity of their choice. At some point, Strategic Insurance Agency wants to open two more locations in neighboring counties.

Strategic Insurance Agency is in the people business—responding quickly to protect you and our community relationships. Honesty is the foundation of everything we do. We value you and the life you've created, and we will help you preserve it.

### » Knowledge Check



**Directions:** Referencing the agency description provided in the two previous Knowledge Checks, write a **mission statement** for the agency.

Strategic Insurance Agency has been in business since 1974. The founder was Bob Good, and his two children took over the agency after his retirement. The agency has 15 employees. Strategic Insurance Agency writes personal lines, commercial lines, surety, and employee benefits. The agency is the second-largest employer in their mid-sized town and has a prominent building on Main Street. Every August, the agency is known for the school supply drive they run and fund for the local schools. They continue using the slogan that Bob Good coined in 1974, “Call me anytime—because claims don’t always happen on weekdays between 9:00 and 5:00!” All employees are given three hours per month of paid time to work in a charity of their choice. At some point, Strategic Insurance Agency wants to open two more locations in neighboring counties.

Since 1974, Strategic Insurance Agency has been dedicated to delivering personalized insurance solutions and actively supporting our community through local initiatives and volunteerism. We strive to expand our reach and continue making a positive impact.

## Agency Direction

### » Knowledge Check



**Directions:** Respond to the following prompt.

Write a paragraph that summarizes the major criteria an agency should consider and evaluate when selecting an insurance company to work with.

When evaluating a possible relationship with a carrier, it is first helpful to review your agency plan to determine if an additional carrier is needed to meet the agency's goals. If so, does the carrier provide a market that the agency can grow with by sending a consistent flow of submissions? Once the need for the carrier is established, several items should be reviewed including commission and profit-sharing opportunities, claims-paying philosophy, upload and download options, and a review of the carrier contract.

## 24/7 Service and Online Web Presence



### » Knowledge Check

**Directions:** Respond to the following prompt.

Discuss the kind and timeline of service you think your agency is prepared to offer and support within your client base.

Answers will vary.

## Agency Health



### » Knowledge Check

**Directions:** Read the following scenario and respond to the prompt.

Priority Insurance Agency has been in business for several years. They have grown a large book of business for commercial lines accounts and have well-documented selling and service procedures. Recently, the agency has decided to take advantage of cross-selling opportunities and has started a new department focused on selling employee benefits.

Describe the stage of growth that this agency is in. Note: There may be multiple stages of growth.

The agency is either in a late development and growth stage or an early success stage. In the development and growth stage, the agency must be intentional in understanding why it has been successful and continue to move in a profitable direction. This is why the agency leadership is interested in expanding into employee benefits.

In the success stage, an agency is profitable and follows well-executed procedures. Because of this, the agency leadership can turn its attention to expanding sales opportunities. It is worth noting that an agency can be in the success stage in one department but in the development and growth stage in another, such as a sales service that is expanding. Awareness of these differences helps an agency allocate resources appropriately.

# An Agency's Financial Health



## » Knowledge Check

**Directions:** Read the scenarios and respond to the following questions.

1. ABC Insurance Agency wants to review its expenses and earnings from the past six months to determine whether it has made a profit or a loss. Identify the tool they should use and explain why it would be appropriate in this situation.

The agency should review its balance sheet, including assets and liabilities. Agency assets, including cash on hand, should be adequate to pay expenses. The excess of assets over liabilities demonstrates that the agency may be profitable.

2. The agency management team wants to reduce compensation expenses and notices that many agency staff members are being paid overtime. What kind of analysis should the team perform to manage these expenses, and what potential issues should the team look for?

In this case, a situational analysis would be most appropriate to examine compensation expenses and overtime use. The agency management team should determine whether overtime is necessary or results from poor workflows, time management, or another issue.

# Agency Action

## Check-In



**Directions:** Complete the SWOT analysis.

Reflect on your own agency or department; consider your strengths and weaknesses, and complete a SWOT analysis.

<b>STRENGTHS</b>	
<b>WEAKNESSES</b>	
<b>OPPORTUNITIES</b>	
<b>THREATS</b>	

Answers will vary.

## » Knowledge Check



**Directions:** Respond to the following prompt.

Reflect on your agency or your own workflow. Write a SMART goal applicable to yourself or to a process that could be improved within your agency.

Answers will vary.

## » Knowledge Check



**Directions:** Complete the action plan template using the goal provided.

**Goal:** Improve the agency's retention renewal rate by 1% per year for the next five years.

**Responsible Person(s):**

Action Steps	Responsible Person/Group	Beginning Date	Ending Date
<u>Review retention rate by carrier to see if a carrier pricing or service issue may be a problem.</u>	<u>CSR Manager or Agency Services Manager</u>		
<u>Institute training for improving client interaction skills.</u>	<u>CSR Manager, Agency Services Manager, and Agency Owner</u>		
<u>Poll former clients; ask why they left the agency.</u>	<u>Agency Service Manager</u>		

## Section 1 Self-Quiz

**Directions:** Respond to the following.

- Read each statement and decide its purpose—is it a values, vision, or mission statement? Write the letter of each statement in the appropriate column.

Values Statement	Vision Statement	Mission Statement
<u>C</u>	A	<u>B, D</u>

- By 2025, Agency XYZ will be the premiere agency for commercial clients in transportation services.
  - The team at Agency XYZ will be the go-to source for personal insurance for residents across the tri-state area.
  - Employees of Agency XYX are committed to providing every client with a customized plan of long-term financial protection.
  - Agency XYZ is committed to expanding its expertise in green energy initiatives to be the premiere insurance consultants to energy manufacturers across the country.
- Which of the following statements about values, vision, and mission statements are correct? (Select all that apply.)

- ☒ These statements establish an agency's purpose.
- ☒ These statements describe an agency's culture.
- ☒ These statements define an agency's financial aspirations.
- ☐ These statements result in the passive creation of agency culture.

All the statements are correct except for D. Values, vision, and mission statements contribute to the active creation of agency culture, whereas agency management defines culture and expectations that reflect the values, vision, and mission statements.



## Section 1: Strategic Planning

3. A passive approach to workplace culture is preferable because it results in organic workplace norms that boost employee productivity and happiness.

☐ True

☒ False

The statement is false. A passive approach allows a culture to be created over time. Employees observe the behavior and values of management and fellow employees functioning in a self-protective mode. Few or no standards regarding acceptable work behavior are established, creating an environment that is prone to change, leading to higher levels of instability and inconsistency.

4. What is one advantage of a sales-oriented agency?

☐ A sales-oriented agency will have an easier time retaining clients.

☒ A sales-oriented agency may experience faster than normal growth.

☐ A sales-oriented agency is profitable because writing business is cheaper than retaining it.

☐ A sales-oriented agency can easily predict and plan workflows.

Because of their focus on growth, a sales-oriented agency may experience faster than normal growth. The other statements are untrue, as the lack of service provided by the agency may make it difficult to retain clients. Furthermore, writing business is generally more expensive than retaining accounts, and sales-based agencies have unpredictable workflows that can make staff planning difficult when compared to service-based agencies.

5. An agency has a contract with a highly rated insurer but cannot consistently meet the insurer's volume requirements. Should the agency consider canceling its contract with the insurer? Explain your reasoning.

Yes. The insurer may terminate the contract because of the agency's failure to adhere to volume requirements. This action could damage the agency's potential to work with that insurer in the future. By being proactive, the agency may be able to keep the door open to working with that insurer in the future.

## Section 1: Strategic Planning

6. Agency management is evaluating a potential contract with an insurer. Which of the following would be the best source of information regarding the financial stability of that insurer?

- ☐ Company performance in the stock exchange
- ☐ Client reviews of the claims service provided by the insurer
- ☒ A credit rating agency, like AM Best
- ☐ Resources published by an insurance journal

A solvency rating agency like AM Best would be most appropriate since this resource focuses on issuing financial-strength ratings that measure an insurer's ability to pay claims.

7. Match the type of commission in the left column to its corresponding example provided in the right column.

A. Flat commissions	<u>A</u> 10% premium on any line of coverage
B. Varying rates of commission	<u>C</u> 10% on CGL policies less than \$50k in annual premium. 12.5% on CGL policies with annual premiums greater than \$50k.
C. Increasing percentage of commission	<u>B</u> 5% on Workers Comp, 15% on property insurance, 20% on umbrella

8. Match the service tools in the left column to their application in the right column.

A. Automated attendant	<u>C</u> Used for promotional reasons and potentially to network with prospects
B. Website	<u>A</u> Used to filter phone calls to the correct person in the agency
C. Social media	<u>B</u> Can provide tools to clients, like the ability to file a claim or receive certificates of insurance

## Section 1: Strategic Planning

9. Agencies go through five stages of growth. Write letter of each characteristic in the appropriate column.

Start-up	Development and Growth	Success	Expansion	Maturity
<u>E, G, I</u>	<u>F, H, J</u>	<u>D, K, L</u>	<u>C, M</u>	<u>A, B</u>

- A. The agency is fully developed.
  - B. The agency owner focuses on strategic goals.
  - C. An agency targets new marketing territories.
  - D. Staff within the agency are following well-executed procedures.
  - E. The agency's owner handles every matter of business.
  - F. An agency's client base is increasing.
  - G. The agency's client base is unstable.
  - H. The agency's owner assesses staff requirements as the agency pursues growth opportunities.
  - I. Client service is unreliable and unstable.
  - J. Revenues and expenses are beginning to balance.
  - K. The agency is finally profitable.
  - L. The agency owner modifies strategies and builds a leadership team.
  - M. The agency owner coordinates department employees as staff expands to meet demand.
10. Explain the difference between a budget and an income statement.

A budget compares monthly revenue results to projected results. An income statement shows revenues and expenses over a month, quarter, or year.

## Section 1: Strategic Planning

11. An agency's value is based on several factors. List FIVE of these factors.

Answers include: profitability history, accounts receivable, retention ratio, average commissions, producer compensation structure, competencies of personnel, company markets, brand, and errors and omissions experience.

12. Which of the following are sources of income for an agency? (Select all that apply.)

☒ Commission

☒ Interest/investment income

☒ Contingency income

☐ Accounts payable

☐ Leases

☐ Education, licenses, and professional fees

☒ Fee income

Commission, interest/investment income, contingency income, and fee income are all examples of sources of income for an agency. The other options would be recorded as expenses for the agency.

13. Typically, which of the following is one of the largest expenses for an insurance agency?

☐ Marketing/advertising

☐ Accounting and other professional services

☐ Rent

☒ Employee salaries and benefits

Employee salaries and benefits are generally the largest expense for any business, especially one that offers a strong benefits package and pays its employees a competitive wage.

## Section 1: Strategic Planning

14. Agency management is looking to address what it believes to be overspending in its selling expenses category. What would be the first step to managing these expenses?

- ☒ Conducting a situational analysis
- ☐ Setting targets for future short- and long-term expenses
- ☐ Establishing a new budget
- ☐ Creating an action plan

A situational analysis would be most appropriate, as it would assist management in determining ways in which selling expenses can be controlled.

**Directions:** Use the words from the word bank to complete the following statements.

<b>assets</b>	<b>fixed assets</b>	<b>owns</b>	<b>balance</b>	<b>liability</b>
<b>retained earnings</b>	<b>current assets</b>	<b>long-term liabilities</b>	<b>start-up capital</b>	<b>current liabilities</b>
<b>owes</b>				

15. A(n) balance sheet shows a listing of what an agency owns and what it owes.
16. Another name for what an agency owns is assets.
17. Cash, accounts receivable, and prepaid expenses are examples of current assets.
18. Cars, desks, office equipment, and other tangible items are examples of fixed assets.
19. A(n) liability is something an agency owes to others.
20. Accounts payable, accounts current, and payroll taxes are examples of current liabilities.
21. Payments due more than 12 months into the future are examples of long-term liabilities.
22. Owners' equity includes current assets and retained earnings.

## Section 1: Strategic Planning

23. Read the SMART goal:

"The sales department will sell new policies or endorsements to at least 200 existing clients every month by asking questions about client needs and clarifying the limitations of their existing coverage."

What is the most apparent issue with the goal?

☒ The goal is not measurable.

☐ The goal is not relevant.

☐ The goal is not specific.

☐ The goal is not timed.

The goal mentions a time, but that is in reference to the metric (200 new policies sold to existing clients monthly). The goal should provide a more apparent timeline. For example, it could be reworded to state, "Over the course of six months, the sales department will sell new policies or endorsements to at least 200 existing clients every month." This rewording provides a clear start and end-time for achieving this goal.

24. Match the items on the right to the correct category of the SWOT analysis.

A. Strength	<u>D</u>	A competitor's agency is making plans to open a new branch next to the agency's headquarters.
B. Weakness	<u>C</u>	The agency is close to creating a new contract with a highly rated insurer with competitive pricing.
C. Opportunity	<u>B</u>	The agency has lost some clients due to the pricing of the insurers the agency works with.
D. Threat	<u>A</u>	The agency has experienced staff who are highly specialized in commercial lines insurance.

25. Describe the four components that should be included in an action plan.

An action plan should specify the goal. It should also clarify who will be responsible for the action plan, the needed steps towards accomplishing the goal, and any resources required by the action plan.

## Section 2: Talent Acquisition and Development

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### Workforce Planning

#### » Knowledge Check



**Directions:** Respond to the following prompt.

Explain why diversity is an important consideration in agency workforce planning.

Today's customers are diverse, varying in age, race, and gender. A diverse workforce that reflects the demographics and diversity of the agency's client base connects the agency to the outside world, creating market opportunities.

## Position Descriptions

### » Knowledge Check



**Directions:** Read the following scenario and respond to the prompt.

Strategic Insurance Agency writes personal lines, commercial lines, surety, and employee benefits. The agency has experienced great success writing large commercial lines policies with many sizeable companies. It is now looking to hire several account managers to ensure the retention of high-touch corporate clients with sophisticated insurance needs.

Write one function of the position described above that could be included in the job description.

The account manager will have strong communication skills to facilitate in-person interactions, telephone conversations, and various other forms of electronic communication, such as texting, email, and messaging.

## Recruiting and Hiring

### » Knowledge Check



**Directions:** Respond to the following prompt.

Share examples of “hidden” benefits within your workplace that help attract and retain good employees. Explain what other benefits you think would be an advantage to your agency.

Answers will vary.



## Hiring

### » Knowledge Check



**Directions:** Respond to the following prompt.

You are part of the committee hiring a new candidate for a Commercial Lines Producer position. Write an example of an interview question.

At what time and how do you follow up with a former client that you lost?

## Employee Development

### » Knowledge Check



**Directions:** Respond to the following question.

Hometown Insurance Agency has recently invested in creating a department in the agency dedicated to the sale of life insurance and has hired three new agents to support this division. Please describe the type (or types) of professional development that could be used to prepare these individuals for success in their roles.

One potential option could be to send the three agents to an external classroom sales training program. This would give them the opportunity to meet peers and learn what other individuals in similar roles at different agencies are doing. In combination with this, the agency could provide the individuals with online self-paced courses on life insurance to refresh and reinforce any technical knowledge needed for the position.

## Evaluating Performance

### » Knowledge Check



**Directions:** Respond to the following prompt.

Describe a performance standard that could be used for an employee within your agency. Explain an indicator that would be used to show the employee is meeting performance standards.

As a CSR, improve your renewal retention rate to the agency average of 90% within the next three months. The retention rate, measured through agency data, would be an indicator.

## Separation

### » Knowledge Check



**Directions:** Respond to the following question.

Explain why it is critical to have thorough documentation prior to initiating a management-driven separation.

Documentation is essential to ensure that the separation decision is based on objectivity and valid reasoning and can be used to protect the agency should litigation arise after an employee's separation.

## Section 2 Self-Quiz

**Directions:** Respond to the following questions.

1. Although it increases retention, workforce planning increases costs for an agency since extensive planning results in increased HR, onboarding, and recruitment costs.

**True**

**False**

Careful workforce planning increases retention, reducing employment costs for the agency. Poor hires and high rates of turnover are expensive, and intentional workforce planning helps to reduce these additional and unnecessary costs.

2. Select all of the following statements about workforce diversity that are true.

☒ Workforce diversity can improve and enhance employee recruitment.

☐ Workforce diversity is legally required, as per the EEOC.

☒ Workforce diversity may increase innovation income in the agency.

☒ Workforce diversity can help prevent discriminatory behavior.

Unlike equal employment opportunity, workforce diversity is a voluntary initiative on the part of an employer.

3. Which one of the following accurately defines “soft skills”?

☐ Soft skills are unchangeable traits, such as personality or behavior.

☐ Soft skills relate to areas such as product knowledge and formal education.

☒ Soft skills are general, non-technical traits like timeliness and empathy.

☐ Soft skills are technical abilities, like computer and AMS knowledge.

Soft skills are general skills related to how an individual behaves in the workplace. Soft skills include areas such as communication, organization, time-management, and so on.

## Section 2: Talent Acquisition and Development

4. Read the following portion of a position description posted for an account manager:

*"Manage client relationships by addressing inquiries, providing information about insurance policies, and assisting with policy renewals."*

What is a potential issue with this position description? Select the best answer.

- ☐ The position description does not accurately address what an account manager does.
- ☒ The position description does not include specific performance expectations.
- ☐ The position description could not be used as a tool for interviewing.
- ☐ The position description is too detailed and could confuse candidates.

Position descriptions should serve as a basis for employee evaluation and contain a measure of acceptable performance. This position description does not provide those parameters.

5. Match the term in the left column with its definition.

A. Knowledge	<u>B</u> Measurable and observable qualities needed to perform in the role
B. Skills	<u>C</u> Competencies needed to perform certain tasks
C. Abilities	<u>A</u> Areas of expertise the candidate should have

6. According to surveys, what is the top motivator for potential job seekers?

- ☐ Educational Opportunities
- ☐ Employee Benefits
- ☐ Vacation Time
- ☒ Pay

Pay is not the only factor but is consistently ranked as the most important. Agency management must ensure that the pay they offer is fair and competitive.

## Section 2: Talent Acquisition and Development

7. Why is it potentially beneficial for agencies to offer remote/hybrid work opportunities?

- ☐ Agencies that offer remote/hybrid work opportunities always have higher employee retention.
- ☒ Agencies that offer remote/hybrid work opportunities can attract a wider range of applicants, such as those who cannot commute daily.
- ☐ Agencies that offer remote/hybrid work opportunities can monitor their employees more closely.
- ☐ Agencies that offer remote/hybrid work opportunities have an easier time complying with equal employment opportunity laws.

Working conditions matter in recruitment, and offering employees the flexibility of working from home or only traveling to the office on certain days of the week can be attractive to many candidates.

8. Which one of the following is an example of a non-traditional employee benefit?

- ☐ Vision and Dental
- ☒ Fertility Assistance
- ☐ High Deductible Health Plan (HDHP)
- ☐ Paid Time Off (PTO)

Fertility assistance is not a standard benefit but can be offered to enhance recruitment and retention efforts.

## Section 2: Talent Acquisition and Development

9. An agency is seeking to recruit entry-level employees who are interested in training and growing with the agency. Which one of the following recruitment options would best accomplish this goal?

- ☒ Recruiting at a local community college job fair.
- ☐ Attending an industry conference for independent insurance agents.
- ☐ Advertising job openings on a platform such as LinkedIn or Indeed.
- ☐ Asking current employees to recommend anyone they know for the positions.

A local community college job fair is a good choice, as it provides the agency with access to a pool of candidates who, while untrained, are college-educated and are looking to begin a career.

10. Which law prohibits discrimination in employment based on gender, race, national origin, ethnicity, and religion?

- ☐ Age Discrimination Act of 1967
- ☒ Title VII of the Civil Rights Act of 1964
- ☐ Immigration Reform and Control Act
- ☐ Americans with Disabilities Act

Title VII of the Civil Rights Act of 1964 established the Equal Employment Opportunity Commission, which enforces statutes regarding employment discrimination against people based on their status as a member of a protected class.

## Section 2: Talent Acquisition and Development

11. A hiring committee is reviewing a résumé. Which of the following would be a reason to reject an applicant? (Select all that apply.)

- ☐ The applicant's name is unfamiliar and difficult to pronounce.
- ☐ The applicant has a year-long gap in their employment history.
- ☒ The applicant made multiple typos throughout the résumé.
- ☒ The applicant has worked at five agencies in the past year and a half.

Typos and frequent job changes are clear warning signs that an employee may not be a good fit for the agency. Rejecting an applicant based on their name is grounds for a discrimination claim. A gap in employment history is not automatic grounds for rejecting a well-qualified candidate and should be discussed further during the interview.

12. Match the scenarios in the right column to the type of bias that may have occurred during the interview process.

A. Halo Effect	<u>C</u> After 10 interviews, the interviewer hires the last candidate that they interviewed.
B. Primacy Bias	<u>A</u> The interviewer hires a candidate who enjoys the same hobbies and grew up in the same town.
C. Recency Bias	<u>B</u> After 10 interviews, the interviewer hires the first candidate that they interviewed.

## Section 2: Talent Acquisition and Development

13. ABC Insurance Agency is concerned with protecting its book of business when an agent resigns. Which of the following agreements is best suited to protecting ABC Insurance Agency? Take legal factors into consideration.

- ☐ Non-Disclosure Agreement
- ☐ Non-Compete Agreement
- ☒ Non-Piracy Agreement
- ☐ Confidentiality Agreement

Non-piracy agreements are narrower in scope than non-compete agreements and are more legally enforceable. This would be the best option to address the agency's concerns.

14. What is the purpose of an employee manual or handbook?

- ☐ To provide a detailed description of the agency's organizational structure
- ☒ To outline agency policies, procedures, and expectations for employees.
- ☐ To serve as a marketing tool for attracting new agency clients
- ☐ To offer a comprehensive list of the agency's financial statements

The purpose of the handbook is to communicate policies and procedures within the agency and clearly define what is expected of employees.

15. Read the employee profiles in the right column and decide what type of training would be appropriate for the individual.

A. Technical Training	<u>A</u> Samantha recently graduated college and joined the agency as an account manager. She has never worked in insurance before.
B. Sales Training	<u>C</u> Tim has expressed an interest in eventually becoming a manager but states that he wants to improve his communication skills first.
C. Soft Skills Training	<u>B</u> Rafael has issues meeting the established sales quota for his position.



## Section 2: Talent Acquisition and Development

16. Which of the following is a disadvantage of internally developed training?

- ☐ It is expensive for the agency since they will have to find experts to produce the training.
- ☒ It runs the risk of not resolving systemic issues within the agency.
- ☐ It requires employees to be motivated to complete education at their own pace.
- ☐ It will not be aligned with the agency's culture and vision.

If the agency is experiencing a systemic training issue, it is possible that internally developed training will only embed that issue deeper within the agency without resolving it.

17. How often should employee performance be measured?

- ☐ Quarterly
- ☐ Semi-annually
- ☐ Annually
- ☒ Continuously

Performance should be measured on a continuous basis. Depending on agency needs, the performance evaluation meeting itself may be conducted quarterly, semi-annually, or annually.

18. What is the goal of a performance improvement plan (PIP)?

- ☐ To signal to an employee that they should consider voluntarily resigning
- ☒ To coach an employee so that they have a chance to meet agency standards
- ☐ To comply with equal employment opportunity statutes to avoid a lawsuit
- ☐ To improve the performance of a department or specific team in the agency

PIPs are used to provide increased support and coaching to employees, giving them the opportunity to improve and work at the standards that are expected of them.

## Section 2: Talent Acquisition and Development

19. Why is it important to document issues with employees prior to separation? (Select all that apply.)

- ☒ Documentation provides a clear record of conduct that supports a termination decision.
- ☐ Documentation is important for the agency's financial reports and audits.
- ☒ Documentation helps protect the agency in the event a claim of discrimination occurs.
- ☐ Documentation is needed to comply with legal requirements for employee reviews.

Termination should be an informed decision based on a clear pattern of misconduct or failure to meet standards on the part of an employee. Documentation should be used to support a termination decision. Furthermore, a clear record of documentation allows the agency to protect itself if the employee alleges discrimination or retaliation.

20. Which one of the following is a potential legal liability during the exit interview process?

- ☐ The exiting employee may feel pressured to participate in the exit interview, which can impact the likelihood that they would recommend the agency as an employer.
- ☐ The exiting employee may want to retain a good relationship with the agency, so they may not be completely honest during the exit interview.
- ☒ The exiting employee may make a claim of discrimination, which may not be handled correctly during the exit interview.
- ☐ The exiting employee may strongly dislike the agency, so their feedback may be inaccurate and unreliable.

The largest legal liability during the exit interview process is the potential for employees to make claims of discrimination or harassment. Often, a third party lacking operational insight conducts these interviews, and a lack of preparation can easily turn an exit interview into a legal liability.

## Section 3: Client Retention and Acquisition

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### Know the Brand

#### » Knowledge Check



**Directions:** Respond to the following prompt.

Describe your agency's brand and explain how that brand meets client needs or expectations in the marketplace.

Answers will vary.

## Market for Success

### » Knowledge Check



**Directions:** Read the following scenario and respond to the prompt.

ABC Insurance Agency has decided to increase its written premium for commercial insurance products in the next six months. It will do so by attracting 50 new small business clients and highlighting its expertise in providing tailored commercial solutions to the specific needs of small businesses.

Assume ABC Insurance Agency has successfully completed steps 1 through 3 of developing a marketing program. Describe some marketing materials and strategies the agency can use to assist its marketing program and reach its desired goals.

ABC Insurance Agency can develop and distribute social media content, such as a customer testimonial about its service. This information can be targeted toward the demographic ABC Insurance Agency wants to expand into.

The agency can create promotional and print materials and network at a local small business conference.

The agency can analyze existing prospect information and segment it to create a group of prospects who match their target audience. The agency can then further target these individuals with an email campaign.

## Build and Keep Relationships



### » Knowledge Check

**Directions:** Identify and share a specific technique or strategy you have found effective in providing quality client service and retaining clients.

Answers will vary.

## Determine Profitability



### » Knowledge Check

**Directions:** Read the following scenario and respond to the question.

Superior Insurance Agency is considering a proposal to Eddy's Crane Rental Company to write their insurance. Both the general liability policy and automobile policy have high premiums. The agency is worried that the work involved to service this account may be excessive. How can the agency estimate in advance whether the account will generate enough revenue to pay the producer and overcome the servicing costs?

Asking the prospect how many certificates they need in a year and the number of auto and equipment changes made on average will allow the agency to do a pre-calculation on the possible number of service hours involved and an estimated service cost.

## Section 3 Self-Quiz

**Directions:** Respond to the following.

1. Which one of the following statements about customer expectations is correct?

- ☐ Clients today are willing to give information freely to businesses that request it.
- ☐ Clients today are generally unwilling to use technology and prefer human interaction.
- ☐ Clients today want a simple option, even if it is not customized to their own needs.

☒ Clients today expect 24/7, around-the-clock service and quick issue resolution.

Clients expect 24/7 service and quick resolution of issues as they occur. They also expect customized options that fit their specific needs. They are less interested in providing sensitive information, especially if they do not see the value in it. In general, clients are more open to using technology if it can assist them with their issues.

2. The internal and external factors that bring clients to an agency and keep them there communicate the agency's brand.

A brand is defined by vision, values, and mission statements but is communicated through the actions that the agency takes. For example, an agency with a history of transparency and quick resolution of issues will have a brand of quality customer service.

3. List the five steps in a successful marketing program.

Setting goals, identifying a target market, developing the marketing plan, applying metrics, and analyzing the plan's success are the five steps in a successful marketing program.

### Section 3: Client Retention and Acquisition

4. Why is it important to set goals before creating a marketing plan? (Select all that apply.)

- ☒ Goals will clarify the metrics that will be used to measure plan success.
- ☐ Goals will eliminate the need for any adjustments during the marketing process.
- ☒ Goals will identify the resources needed to implement a marketing plan.
- ☐ Goals will ensure that competitors cannot replicate the marketing plan.

Setting goals early for the marketing plan is important, as it will allow the agency to identify a target audience, the needed resources, and the metrics used to evaluate the plan's success.

5. Which of the following are considerations the agency should make when selecting a target audience for their marketing plan? (Select all that apply.)

- ☒ The agency should consider the available prospects for the products.
- ☒ The agency should consider what their competition is doing.
- ☒ The agency should determine how it can differentiate itself from competitors.
- ☐ The agency should focus on the largest audience possible.

The goal of identifying a target audience is finding the right audience, not the largest audience possible. Targeted marketing efforts are more cost-effective and will generate higher quality prospects for the agency.

**Directions:** Circle the word that correctly completes the statement.

6. An agency's marketing plan begins with clear \_\_\_\_\_.

actions

goals

The marketing plan always begins with clear goals that will guide the agency into identifying the target audience, as well as the types of marketing to use and the metrics to evaluate success.

### Section 3: Client Retention and Acquisition

7. List four attributes of an effective agency website.

The agency website should accommodate all kinds of devices, including phones and tablets. Visitors should be able to provide complete contact information. The website should be refreshed frequently to keep customers interested, and key words should be incorporated in the search engine.

8. Central Agency wants to increase the usability of its website to make it more appealing to its existing clients. Explain what features Central Agency should consider adding to its website to expand service for existing clients.

The agency could consider adding a variety of service options, such as reporting claims, downloading certificates of insurance, requesting quotes, viewing policy documents, and so on. They could consider adding a chat feature to allow clients to directly and quickly contact the agency.

9. South North Agency's marketing department recently created a video using customer testimonials to convey the value and importance of umbrella policies. What would be an effective way of using this piece of media to increase sales? (Select all that apply.)

- ☒ Include the video in an email newsletter to existing clients who could benefit from but do not hold umbrella coverage with the agency.
- ☐ Upload the video to YouTube and ask agency employees to share it with any of their current clients they think would find it interesting.
- ☒ Post the video on LinkedIn and use targeted advertising with it to reach individuals and businesses that would benefit from an umbrella policy.
- ☐ Share the video internally with members of the agency so that it can serve as a motivational tool for agency employees.

To make advertising materials most effective, they should be distributed in a targeted manner. An agency newsletter directed at certain clients or targeted advertisements on social media are both good examples of how this video could be used.



### Section 3: Client Retention and Acquisition

10. TreeFall Agency has recently improved its online quoting form and plans to advertise the improvements in their promotional content. The goal is to increase the number of sales conversions that originate from the online quoting form by 10%. Explain some metrics the agency could use to evaluate the plan's success.

The agency could use several metrics, such as the number of leads generated from the online quoting form, the number of leads that result in an appointment, and the number of appointments that result in sales. The agency could also use website metrics, like bounce rates and heat mapping, to track how likely visitors are to complete the quote form. From there, the agency can make adjustments that will make it more likely a prospect will complete the form.

11. List the three guiding principles of client retention.

Build rapport and trust, provide quality customer service, and educate clients.

12. An employee at the agency is discussing an auto policy with a client. The agent states, "In Texas, PIP is optional. You can sign a waiver, but I highly recommend keeping this protection. It only adds a few dollars to your premium each month."

How might this statement negatively impact the relationship and quality of service the agent is providing? What should the agent do instead?

The agent is relying on jargon that the client may not understand. This could lead the client to waive important protection. If a loss were to occur that involved PIP, the client may view the agency negatively and blame their issues on the agent. Instead, the agent should educate the client and fully explain personal injury protection and why it is important.

### Section 3: Client Retention and Acquisition

13. How does an insurance agency's website impact the quality of customer service they can provide?

- ☒ A well-designed website streamlines client interactions, making it easier for clients to access information and services.
- ☐ A website does not directly impact quality customer service since service depends entirely on person-to-person interactions.
- ☐ The agency website is only useful for marketing and does not influence the customer service experience.
- ☐ A website reduces the need for customer service by automating all client inquiries and eliminating the need for personal interactions.

Clients expect 24/7 service and easy resolution of their issues. A website can facilitate this, but it is important to note it should never be used to attempt to entirely replace human contact.

14. Define the term cross-selling and explain why it contributes to client retention.

Cross-selling is the process of extending a client's coverage by enhancing an existing policy or adding new policies. It deepens the relationship between the client and the agency, making it an effective client retention tool, which ultimately increases the agency's profitability.

### Section 3: Client Retention and Acquisition

15. Match the client retention responsibility described in the right column to the relevant individual or group.

A. Agency Owners	<u>B</u> Identify cross-selling opportunities
B. Agency Producer or Account Manager	<u>A</u> Determine the scope of a client-retention plan and measures the result
C. Company Personnel	<u>C</u> Apply broad knowledge of companies to offer insights into cross-selling opportunities

16. There are economic reasons for promoting client retention.

**True**

**False**

It is cheaper to retain accounts than to acquire new clients. Retention guarantees the agency income in the long term and is important to sustainable growth.

17. Knowing why clients leave can lead to profitable opportunities.

**True**

**False**

If clients leave for similar reasons, this gives the agency an opportunity to address an issue that will lead to better retention in the future.

18. Which reports can an agency use to measure the success of client retention efforts? (Select all that apply.)

☒ Revenue reports

☐ Expense reports

☐ Marketing reports

☒ Cancellation reports

Cancellation reports will indicate how many clients are leaving and why. Revenue reports can be used to track renewal income.

### Section 3: Client Retention and Acquisition

19. Which of the following questions must an agency ask when considering the expenses related to soft costs? (Select all that apply.)

- ☒ Does the producer have the expertise to secure an account?
- ☐ What technology is required to secure new clients?
- ☒ If a producer needs a mentor, how will the mentor's time away from their work affect expenses?
- ☐ How will marketing efforts affect producer performance?
- ☒ Is staff support necessary to secure a new client?
- ☒ How do bonuses affect expense calculations?

These questions address soft costs related to obtaining a new account. Technology would be a hard cost, and marketing efforts will not impact producer performance.

20. How can an agency calculate an account's profitability?

- ☒ Determine the amount of non-compensation expenses directly attributable to the account and compare it to the profit it earns.
- ☐ Compare the commission earned on the account to the marketing expenses associated with obtaining the lead.
- ☐ Multiply the hourly wage of the account manager by the hours it takes to service the account. Divide this number from the revenue generated by the account.
- ☐ Calculate the total number of accounts the agency has and look at gross revenue to determine the average profitability of an account.

Profitability should be determined by account. This is accomplished by comparing the profit earned on the account to all of the variable overhead (non-compensation expenses) attributable to that account.

### Section 3: Client Retention and Acquisition

21. Greenfield Insurance Agency has been handling the needs of a local business called EcoTech Solutions. The account is difficult to work with and, overall, not profitable for the agency. However, EcoTech Solutions is prominent in the business community and frequently provides referrals for the agency. Should Greenfield Insurance Agency end its relationship with EcoTech Solutions?

This scenario demonstrates the importance of looking to factors outside profitability alone when deciding whether to continue or discontinue a relationship. The agency management should consider the referrals and business brought in by EcoTech Solutions. It is possible that the overall business generated makes up for the cost of servicing EcoTech's account, making it profitable for the agency to continue its relationship with the business.

## Section 3: Client Retention and Acquisition

## Section 4: Technology Utilization

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### Levels of Technology Utilization



#### » Knowledge Check

**Directions:** Read the description of an insurance agency's technological utilization and respond.

Tower Insurance Agency has successfully implemented a workflow where, when a client calls, the agency management system automatically displays their account on the servicer's computer screen. While speaking with the client, the change request is entered, and before the call ends, the client receives an email confirming the requested change. The telephone call is recorded and automatically saved as an attachment to the client's account in the agency management system.

What level of technology utilization best describes this agency? Explain your rationale.

Level 3 – Managed Utilization. The agency has successfully integrated various technologies into a single workflow. In this case, the phone call results in an account displayed in the agency management system, and communications on changes are sent automatically.

## Conducting an Internal needs Assessment



### » Knowledge Check

**Directions:** Respond to the following.

An agency is weighing whether to switch to a new agency management system. What are some factors that management should consider before making the switch?

Agency management should consider the potential benefits of the change, such as increased productivity and sales within the agency. Additionally, agency management should weigh the associated costs, including the direct costs of purchasing the new software, productivity losses, and training during the initial use of a new system. Agency management should also consider the compatibility of the new agency management system with its current data and reports and consider whether any information will be lost in the transition to a new system.

## Using an Operational Assessment to Improve Workflows



### » Knowledge Check

Describe the relationship among standards, procedures, and workflows.

Standards define a targeted level of performance, while procedures clarify the specific steps to complete a task in compliance with that standard. The workflow specifies the steps staff need to perform to complete the procedure.



## Information Management



### » Knowledge Check

**Directions:** Respond to the following.

OakTree Insurance Agency sells life insurance. Consequently, they collect and have access to clients' health information used for underwriting purposes. How can the insurance agency ensure that their clients' information is adequately protected?

First, the agency should consult with attorneys to understand federal privacy guidelines. In this case, the agency deals with Protected Health Information and the Health Insurance Portability and Accountability Act (HIPAA). They should follow all legal requirements of HIPAA and employ techniques such as encryption to ensure all client information is secured.

## The Benefits and Challenges of Information Management Systems



### » Knowledge Check

**Directions:** Respond to the following.

How does using technology tools enhance an insurance agency's efficiency? Provide examples of specific processes that benefit from these tools.

One way technology can increase an insurance agency's efficiency is by using comparative rating systems. These systems enable an agent to quickly obtain multiple quotes from a variety of different carriers, allowing the agent to identify the most competitive offer for their client, thereby enhancing the agency's service.

## Section 4 Self-Quiz

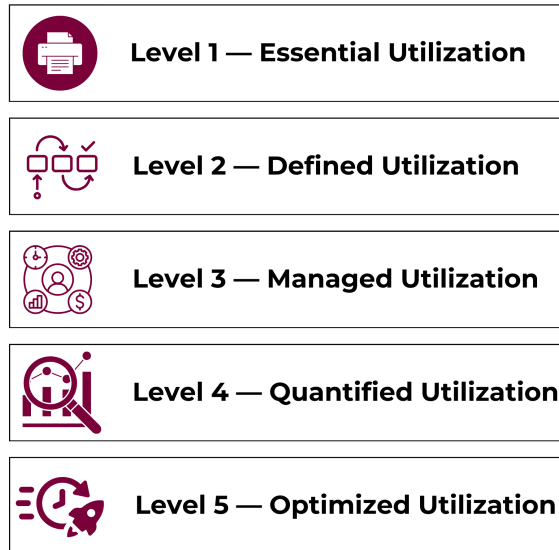
**Directions:** Respond to the following questions.

1. Technology affects agency performance. Match each example in the left column by writing its corresponding letter next to the effect of technology being described. The technology benefits on the right can apply to more than one example from the left.

A. Clients have instant access to information.	G, K	Technology increases revenue.
B. Agents can communicate with clients in a variety of ways.	E, I	Technology allows measurement.
C. Both employees and clients benefit from controlled and consistent experiences, leading to greater satisfaction.	A, B, H	Technology improves the customer experience.
D. Employees can work from any location.	C, I	Technology helps build a consistent experience.
E. Consistency reduces possible E&O exposures.	D, J	Technology offers flexibility.
F. Standardized workforce practices reduce employee stress, making the work environment more enjoyable.	C, D, F, J	Technology can increase employee satisfaction.
G. The ability for any number of people to process more transactions increases per-person revenue.		
H. Agents can focus more on customer service than on transactions.		
I. Unchanging or invariable practices reduce exposures to E&O claims.		
J. Employees can access personal training opportunities.		
K. Any given number of people can process more transactions.		

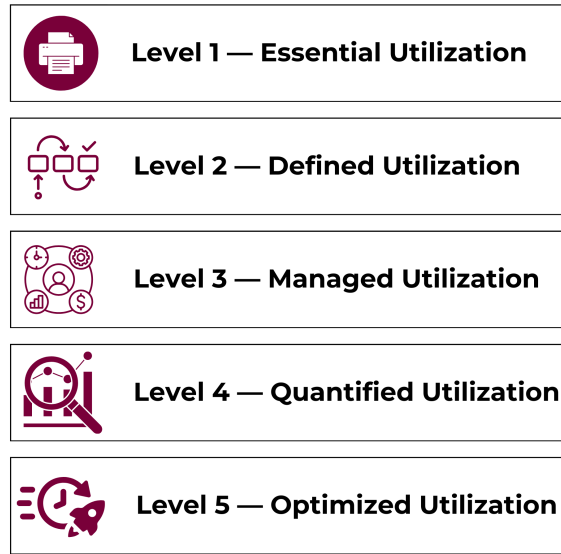
## Section 4: Technology Utilization

2. Read the characteristic, then write the number of the corresponding technology utilization level. Use the diagram below as a reference. The first one has been done for you.



Characteristics	Level Number
A. Technology is used to conduct more of the various tasks of running an agency, thus reducing the overall burden on employees.	5
B. There is a focus on how staff manage the agency's short- and long-term goals.	4
C. Agency data integration with carrier systems exists but is not fully used.	2
D. Technology systems are integrated so that phones and other forms of communication work with an agency's management system.	3
E. Although some technology is in use, such as phones and workstations, overall technology use is minimal.	1
F. An agency prioritizes measuring the results of its technology and analyzing those results to determine how they affect the agency in the most positive ways.	4
G. Practical uses of technology for the purpose of creating efficient workflows and procedures are being defined.	2

## Section 4: Technology Utilization



Characteristics	Level Number
H. Technology integration is seamless, moving the emphasis from the agency's needs to the customer's needs.	4
I. An agency is beginning to measure the value and efficiency its technology provides.	4
J. Only the basic features of any existing agency management system are used.	1
K. Workflows and technology provide strategic and reliable processes that focus on customer needs.	3
L. An agency is deciding the minimum amount of data it needs to collect.	2

**Directions:** Select whether the following statement is True or False.

3. Moving from one technology level to another should always be done one level at a time.

**True**

**False**

True. Upgrading and converting technology and ensuring it is utilized appropriately in the agency takes careful planning, investment, and time.

## Section 4: Technology Utilization

4. An agency with highly effective strategic planning can instantly skip levels to reach technology utilization Level 5.

**True**

**False**

False. Moving from one level to another should always be done one step at a time.

5. Realistic goals and time frames are required for an agency to move forward from one technology utilization level to another.

**True**

**False**

True. By having realistic goals and time frames, an agency can sustainably advance its levels of technology utilization.

6. Which one of the following is an example of a technology conversion in the agency?

- ☐ An agency retires its logins for a rating system with a carrier it no longer uses.
- ☐ An agency sets up an auto attendant to filter incoming client calls to the agency.
- ☐ An agency purchases lead-scoring software to assist its sales staff.
- ☒ An agency changes from its on-site legacy agency management system to a new, cloud-based software.

Conversion involves entirely replacing a technological system in use at the agency with a new one. Replacing an AMS with new AMS software is an example of conversion.

7. Explain why an agency should conduct an internal needs assessment before deciding whether to upgrade or convert its technology.

Conducting an internal needs assessment helps an agency determine its technological needs in terms of its goal and objectives.

## Section 4: Technology Utilization

8. Sequence the steps of the internal needs assessment in the correct order by writing the number of the step next to its description.

Description	Step #
Create a report comparing identified options with the information and data collected during the internal needs assessment.	5
Plan for a commitment to employee training.	4
Develop a set of questions and answers to guide the thinking, research, and decision-making process. Make a checklist of current/future needs.	2
Weigh upgrades versus conversions.	3
Establish time-related goals.	1

9. Which of the following correctly explains why an agency would select a cloud-based data solution over in-house storage?

- ☐ Cloud-based data solutions are more expensive and require agency staff to maintain them but also are more secure.
- ☒ Cloud-based data solutions are more cost-effective and secure than an agency maintaining its own on-site database.
- ☐ Cloud-based data solutions require no internet connection to access, making them more reliable than in-house systems.
- ☐ Cloud-based data solutions are more cost-effective, even though they are difficult to scale when the agency grows.

Data storage and hosting are expensive and require investment in servers and IT staff to maintain the database. A cloud storage option is more cost-effective for an agency, easier to scale as the agency grows, and generally, third-party options have more expertise on how to make data secure.

## Section 4: Technology Utilization

**Directions:** Select the correct answer.

10. Employee training is a \_\_\_\_\_.

**hard cost**

**soft cost**

Expenses related to investment in personnel, whether it be training or hiring additional individuals/contractors to create technological solutions, are soft costs.

11. A loss of productivity time spent devoted to training is a \_\_\_\_\_.

**hard cost**

**soft cost**

Similar to the previous question, expenses related to downtime are also soft costs.

12. The physical equipment required for technology implementation is a \_\_\_\_\_.

**hard cost**

**soft cost**

For example, if an agency must purchase hardware to create its own server, that would be a hard cost.

13. Which one of the following statements about reports during an upgrade/conversion is correct?

- ☐ Search and report formats across technological solutions are generally similar, so this is not a large area of concern for agencies contemplating upgrades.
- ☐ New technological systems can easily improve reporting capabilities without any additional customization or cost.
- ☐ Agencies upgrading their systems rarely need to worry about report accuracy, as new systems ensure precise data reporting automatically.
- ☒ Existing agency report formats may be incompatible with the new system. The additional time taken to customize and transfer reports will create more costs for the agency.

An agency's existing reports may be incompatible with the format of the new system. The agency will then have to customize those reports so that data can be transferred to the new system. This is why the reporting format should be considered prior to upgrading or converting to a new system.

## Section 4: Technology Utilization

14. Match the descriptions in the left column to the correct term on the right.

A. Every step required to complete a procedure	Standard: B, D
B. An acceptable level of performance	
C. A clear list of things or steps an agency must do to meet a standard	Procedure: C, E
D. Contributes to agency's brand	
E. An explanation of who is responsible, what must be done, and when it must be done	Workflow: A, F
F. Every keystroke required to complete a procedure	

15. List five benefits of establishing standards, procedures, and workflows.

- a. Doing so optimizes time use.
- b. They work as benchmarks for measuring compliance, productivity, and effectiveness.
- c. They promote consistency, thereby reducing mistakes and E&O exposures.
- d. They provide data to help an agency plan, market, grow, and make decisions.
- e. They help to identify opportunities and the need for change and training.

16. Operational assessments should be used to: (Select all that apply.)

- ☐ Evaluate individual employees in terms of performance.
- ☒ Support the agency's goals and missions.
- ☒ Identify training needs or redundant procedures.
- ☒ Ensure adherence to agency workflows.

Operational assessments are there to improve the agency, not monitor individual performance. Individual performance should be monitored using the evaluation methods discussed in earlier sections of this course.



## Section 4: Technology Utilization

17. Explain the purpose of staff stratification.

Employees have varying levels of expertise and experience, with the highest-paid employees being best suited for complicated tasks such as customer service of a high-value account or creating protection plans for complicated risks. Lower-level customer service or agency work should be assigned to less experienced personnel. This allows the most experienced agents more time to focus on revenue-generating activities for the agency.

18. Select all the actions an agency should take to manage information effectively.

- ☒ Fill in every field within a database.
- ☒ Use appropriate naming conventions.
- ☒ Complete the Full Client Detail in a database.
- ☐ Print and store hard copies of all documents.
- ☒ Keep databases up to date.
- ☐ Provide all employees with customized training in data management.

Printing physical copies of every document is an unnecessary step. Furthermore, managing the database is the responsibility of the database manager. Not every employee needs this training.

19. List four kinds of data that should be entered into an agency's management system.

- a. Basic client details
- b. Contact details
- c. Policy details
- d. Coverage details

## Section 4: Technology Utilization

**Directions:** Select whether the following statements are True or False.

20. A workflow should always start at the beginning, with client data entered first.

**True**

**False**

Entering data first is a priority in order to maintain data integrity.

21. Entering data in the middle of a workflow can lead to data backflow.

**True**

**False**

True. Data backflow refers to entering initial data later in the process.

22. Working backward can save time and money.

**True**

**False**

False. Data backflow is time-consuming and cumbersome.

23. Data backflow has little to no effect on data integrity.

**True**

**False**

Because working backward is time-consuming, employees may neglect the need to enter the data. This compromises the integrity of agency data.

24. List seven examples of electronic documents that an agency can collect, store, and manage.

Examples include email, carrier-generated documents like policies and endorsements, electronic and paper faxes, scanned and digitized paper mail, photos, other means of communication like voicemail, and formal reports.

## Section 4: Technology Utilization

25. Back-end scanning refers to capturing and storing incoming documents in an electronic database as soon as they are received.

**True**

**False**

False. Back-end scanning occurs when documents are processed and then scanned. After scanning, they are distributed to individuals within an agency or vendor for electronic "filing" or storage.

26. List five examples of PII.

PII can include Social Security numbers, birth dates, credit card information, home addresses, health records, passwords, veteran/disability status, and first and last names (together).

27. To protect client information, agencies should minimize *and* purge. Explain what it means to minimize data and what it means to purge data.

Minimizing data refers to reducing the amount of unnecessary PII that an agency captures and retains. Purging data is the process of removing unnecessary information as soon as it is possible to do so.

## Section 4: Technology Utilization

28. Technology presents both benefits and challenges to an agency. Write the letter of each example in the appropriate column.

Benefits of Technology	Challenges Related to Technology
<u>A, D, E, F</u>	<u>B, C</u>
<p>A. It allows employees to enter information only once.</p> <p>B. Not all companies support an agency's workflows.</p> <p>C. An agency needs different workflows for companies that do not support bridging.</p> <p>D. Processing is expedited for routine requests.</p> <p>E. Employees reduce E&amp;O exposures by decreasing the likelihood that data is entered incorrectly.</p> <p>F. Data quality improves and opportunities for human error diminish.</p>	

## Section 4: Technology Utilization

29. Downloading is the process of transferring information electronically from an insurance company database to an agency management system. IT brings both benefits and challenges to an agency. Write the letter of each example in the appropriate column.

Benefits of Technology	Challenges Related to Technology
<u>B, D, E, H</u>	<u>A, C, F, G</u>
<p>A. Download failures can lead to problems, such as data overwrites.</p> <p>B. The possibility of data-entry mistakes decreases, reducing E&amp;O exposures.</p> <p>C. A failure to conduct daily download audits may result in undiscovered errors or glitches, compromising an agency's database.</p> <p>D. Processing work may decrease in the agency.</p> <p>E. A workflow begins in an agency management system or comparative rating system.</p> <p>F. An agency may need different workflows to work with carriers that do not support bridging.</p> <p>G. Not all insurance companies support commercial line downloads.</p> <p>H. More insurance carriers provide support for personal lines downloads.</p>	

30. Which of the following correctly explains an advantage of a proprietary carrier rating system over a comparative rating system?

- ☐ Proprietary systems avoid the need to enter data manually with multiple carriers.
- ☒ **Proprietary systems include underwriting and declination capabilities.**
- ☐ Proprietary systems allow agents to obtain quotes from multiple carriers at once.
- ☐ Proprietary systems have public access and do not require unique logins and passwords.

Proprietary rating systems include underwriting and declination capabilities, allowing the agent to determine if a risk is acceptable to a particular carrier.

## Section 4: Technology Utilization

31. List five examples of real-time transactions that can occur when carrier and agency management systems interpret and transfer data.
- a. Billing inquiry
  - b. Policy inquiry
  - c. Claim inquiry/loss run
  - d. Endorsement processing
  - e. Rating

# Section 5: Ethical Responsibility

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## Ethics in the Workplace



### » Knowledge Check

**Directions:** Respond to the following.

1. Describe the role agency management plays in creating ethical behavior in the agency.

Agency management is responsible for establishing a code of ethics, which should outline the expectations for employees and be used as a guideline for ethical decision-making within the agency itself. Furthermore, agency management also models ethical behaviors and is responsible for creating an environment conducive to employees' ethical behavior.

2. Read the case study and use an ethical decision-making process to answer the question.

You are a producer in a local insurance agency. Recently, you connected with a business owner at a Chamber of Commerce luncheon. The owner is excited about having you quote and write his business. Returning to the office, you attempt to enter this prospect into your sales management system, only to find that the business is already entered as a prospect assigned to another producer in the agency. You notice that the producer has not contacted the business in over three years. You know you can land this account.

What should you do?

You go to the other producer to inform them of your new contact with the prospect, and you ask them to withdraw from the account. If necessary, you could agree to a negotiated resolution. If a conflict remains, you could approach management regarding who should have ongoing ownership of the account.

## Legal Duties

### » Knowledge Check



**Directions:** Respond to the following questions.

According to case law, what duties does an agent owe to the insured? How does a special relationship change these duties?

In general, an agent has a duty to act in good faith and use reasonable care and diligence when procuring insurance for the insured. If a special relationship exists, the insurance agent may have an expanded duty to advise the insured on specific insurance-related matters.

### » Knowledge Check



**Directions:** Respond to the following.

A client has a multi-million-dollar beach house they want insured. Desiring to make a sale, the agent issues a policy required for properties of this value without approval from the insurer. The client now assumes they have coverage for their property.

What types of authority could apply to this situation?

First, the insurer could argue that the agent breached their actual authority because the agent knowingly wrote a policy for a property without meeting the insurer's requirements. Second, apparent authority may also be an issue if a court determines that it would be reasonable for the insured to assume the agent had the authority to write such a policy.



## Unfair Trade Practices

### » Knowledge Check



**Directions:** Read the following scenario and respond to the question.

An insurance agent has a fee income arrangement with a New York-based commercial customer. To retain the customer, the agent decides to return a portion of his commission directly to the customer.

Did the agent commit an unfair trade practice? Explain your answer.

Yes. By returning a portion of his commission directly to the customer, the agent is practicing rebating. Rebating is illegal in the state of New York.

## Ethics and Errors and Omissions Claims

### » Knowledge Check



**Directions:** Respond to the following.

HomeTown Insurance is excited to offer a new product aimed at insuring high-value residential properties. How do these new offerings pose an E&O risk for the agency? What steps can the agency take to minimize that risk?

Whenever an agency offers a new product, there is a potential for an E&O claim to be made if the employees are not adequately educated about the coverage and underwriting requirements. To minimize this risk, the agency should carefully train its employees to be prepared for the requirements of offering any new product.

## Section 5 Self-Quiz

**Directions:** Complete the matching exercise.

- Write the letter the phrase that defines each principle.

A. Honesty	<u>I</u>	Making every effort to fulfill commitments
B. Loyalty	<u>A</u>	Avoiding deception
C. Respect for Others	<u>C</u>	Respecting human dignity
D. Leadership	<u>H</u>	Protecting a company's reputation and safeguarding employee morale
E. Integrity	<u>J</u>	Following the Golden Rule
F. Fairness	<u>F</u>	Exercising power without taking advantage of others
G. Law Abiding	<u>L</u>	Accepting responsibility for one's decisions
H. Reputation and Morale	<u>B</u>	Demonstrating fidelity to clients, colleagues, and institutions
I. Trustworthiness	<u>D</u>	Recognizing the responsibilities attached to position of leadership
J. Concern for Others	<u>E</u>	Doing what is right, even when under pressure to do otherwise
K. Commitment to Excellence	<u>K</u>	Being well-informed and dedicated to improving professional proficiency
L. Accountability	<u>G</u>	Following rules, regulations, and laws

## Section 5: Ethical Responsibility

**Directions:** Respond to the following.

2. The Jones couple had a loss on their dwelling. The insurer has just offered a payment that you think needs to be higher for the amount that was lost. The Jones couple has come to you to ask whether the claim settlement is fair. The couple has not hired a public adjuster or an attorney. This is your most competitive insurer, but your clients have had several claims lately, and the regional manager has suggested that your contract may only be renewed if your loss ratio improves.

As the agent, what should you do? Use the ethical decision-making process and provide your response below.

The consumer comes first. The appropriate first step is to work with the insurance adjuster and management, where necessary, to ensure that the consumer will be indemnified for the loss to the extent that it is covered under the contract. If that does not work, many contracts have arbitration language that will allow the company and insured to reach a more equitable agreement on the amount of the loss. The insured can always hire an attorney to contest the claim.

Under the Unfair Claims Practices Acts, the insurer has an obligation to settle the claim promptly and fairly. However, the company is not permitted to make an inadequate offer just to settle a claim quickly.

As the agent, you may need to look separately at the book of business you are building with this insurer. Does everyone in the agency understand the business this company wants? What active steps can you take to improve the loss ratio of the book of business?

Disclaimer: This advisory response is not a legal opinion. Different federal and/or individual state laws may apply to this scenario or others with similar facts. Courts in various jurisdictions may interpret the facts of the dilemma differently. Minor changes in the facts of the dilemma can produce different legal or ethical interpretations. Finally, there may be other more ethically or legally appropriate resolutions to the dilemma that have not been addressed.

## Section 5: Ethical Responsibility

3. Which of the following statements about agency codes of ethics are correct? (Select all that apply.)
- ☒ An agency code of ethics is a set of guidelines and principles that clarify how employees should conduct business with honesty, integrity, and responsibility.
  - ☐ Agencies are not responsible for creating a code of ethics. It is up to individual employees to learn how to behave ethically.
  - ☒ Agency codes of ethics should be based on agency values, stakeholder expectations, and legal responsibilities.
  - ☐ An agency code of ethics should be written once and remain constant. Agencies should avoid updating or revising them.
  - ☒ Agencies should provide employee education to reinforce ethical expectations and clarify how employees should behave.
4. List three management-driven reasons why employees behave unethically.
- a. Their managers set unrealistic performance targets.
  - b. They sense unfairness in the workplace.
  - c. Their managers do not practice ethical behaviors.
5. List the four legal/ethical duties an insurance agent owes to their clients.
- a. Procure the insurance requested by the client using reasonable diligence, and inform the client if unable to do so.
  - b. Notify the client of a pending policy expiration when the agent receives information about the expiration date that is intended for the client.
  - c. Renew a policy or notify a client of non-renewal.
  - d. Investigate the solvency of an insurance company.

## Section 5: Ethical Responsibility

**Directions:** Select whether the following statement is True or False.

6. The existence of a special relationship expands the duties/obligations the agent would normally have to an insured.

**True**

**False**

True. If a special relationship exists, the agent may be found to have more duties than they would normally assume in an ordinary client/agent relationship.

7. Since agents are professionals, a special relationship exists automatically with all of their clients.

**True**

**False**

False. Special relationships exist only in certain situations and are usually determined on a case-by-case basis, generally in a court of law.

8. In *Hardt v. Brink*, which factors contributed to the court's conclusion that the agent had a special relationship with his client? (Select all that apply.)

☐ The agent had more knowledge than the client. Since there was a disparity in knowledge about insurance, a "special relationship" was established.

☒ The agent had created insurance solutions and handled claims for the client for almost a decade.

☐ The agent was licensed, so as a licensed professional, all his client relationships are considered "special relationships."

☒ The agent intentionally represented himself as an expert on his own promotional materials.

In this case, the court held that the relationship had existed for years, and during that time, the agent handled insurance matters for the client, creating coverage solutions and handling claims. Furthermore, the agent had intentionally represented himself as an expert. Consequently, the court held that there was a special relationship between the agent and the client.

## Section 5: Ethical Responsibility

**Directions:** Select the correct term to complete the following statements.

9. A(n) \_\_\_\_\_ is a party authorized to act ethically on behalf of another. Parties include principals, agents, and third parties.

**special relationship**

**legal agent**

10. An insurance agent is appointed by a(n) \_\_\_\_\_ to solicit applications, collect premiums, and bind policies.

**broker**

**insurer**

11. A(n) \_\_\_\_\_ acts or aids in negotiating insurance contracts.

**broker**

**insurer**

12. A managing general agent has \_\_\_\_\_, claims, and reinsurance placement authority from an insurer.

**solicitation**

**underwriting**

## Section 5: Ethical Responsibility

13. Match the scenarios with the type of authority being described.

A. Actual Authority	<u>A</u> An agency is granted the ability to bind coverage for residential property worth up to \$750,000.
B. Implied Authority	<u>C</u> An agent binds coverage for a property without obtaining the required approval stipulated by the insurance company's contract for high-value property. The owner of the property assumes they are now covered.
C. Apparent Authority	<u>B</u> An agency uses an insurance company's logo on its website. Although the contract with the insurer does not address website marketing, the insurer did provide the agency with other marketing materials to use.
D. No Authority	<u>D</u> An agent convinces an insurer to accept 12 equal installments of premium without interest for an account. However, the agent tells the client they need to collect the entire yearly premium. The agent then places the premium in an account to earn interest.

## Section 5: Ethical Responsibility

**Directions:** Choose the word or words from the word bank that match each description for questions 14–19.

<b>Unfair claims practices</b>	<b>Rebating</b>
<b>False advertising</b>	<b>Tied selling</b>
<b>Misrepresentation</b>	<b>Twisting and replacement codes</b>

14. Making unnecessary demands of a client for the purpose of processing or settling a claim.  
Unfair claims practices
15. Making false statements that affect a consumer's decision to accept the terms of a contract. Misrepresentation
16. Using confusing, misleading, or untrue statements to promote the purchase of a product or service. False advertising
17. Offering an inducement to do business with an agency. Rebating
18. Suggesting a client purchase additional life insurance or a replacement policy purely for the purpose of generating additional commission. Twisting and replacement codes
19. Making the purchase of one product or service contingent upon the purchase of another.  
Tied selling



## Section 5: Ethical Responsibility

20. Which of the following circumstances can lead to an E&O claim against an agency? (Select all that apply.)

- ☐ A client's policy is not renewed due to non-payment of premium.
- ☒ A key employee departs the agency.
- ☐ A client knowingly attempts to commit insurance fraud.
- ☒ The agency begins selling a new product.
- ☒ The agency changes and updates its agency management system.

A key employee leaving, selling new products, or updating workflows and technology are all situations that leave room for errors that may lead to an E&O claim being made against the agency.

21. Write letters in the correct columns to sort the reasons different parties can make E&O claims against an agency.

Why Clients Make Claims	Why Carriers Make Claims	Why States Make Claims
<u>B, C, F, H</u>	<u>A, G, I</u>	<u>D, E</u>

- |   |   |
|---|---|
| A. Failure to follow legal instructions   | F. Failure to place on best available terms   |
| B. Failure to procure coverage            | G. Failure to supply underwriting information |
| C. Changing established services          | H. Lack of or modified coverage               |
| D. Failure to meet licensing requirements | I. Misrepresentation of risk to the company   |
| E. Deceptive trade practices              |   |

## Section 5: Ethical Responsibility

22. Which step can help protect an agency against E&O claims?

- ☐ Evaluate employee performance and remove underused workflows.
- ☐ Regularly delete documentation and client information.
- ☒ Educate employees, especially when changes are made in the agency.
- ☐ Minimize documentation of routine interactions to improve efficiency.

Thorough education of all employees is essential to protecting against E&O claims. If workflows are underutilized, they should be reviewed to ensure compliance with important protective steps in the agency processes. Documentation should be thorough, as this information can protect an agency should an E&O claim occur.

23. Should an E&O claim occur, how should an agency respond? (Select all that apply.)

- ☐ Openly discuss the claim with all involved staff in a meeting.
- ☒ Notify their E&O carrier and follow their instructions.
- ☐ Attempt to resolve the claim directly with the client.
- ☒ Prepare to participate in a deposition and answer questions honestly.

Should an E&O claim arise, the agency should notify its carrier and follow the instructions of their legal counsel and the carrier. The agency should also prepare to participate in a deposition. Any discussion of the claim within the agency should be avoided, as this can lead to an inadvertent admission of guilt that makes the claim impossible to defend.

# Appendix

## Appendix

# Preparing for the Final Exam

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For many learners, test preparation is stressful. Please keep in mind that the most important measure of your knowledge will be witnessed in your service to your organization. Think of a test as a tool. Use it to come to an understanding of what you know, how it affects your work, and what more you would like to know to have even greater success in the workplace.

The testing period for the Final Exam is two hours long. The test itself is composed of 18–21 questions that ask you to demonstrate what you know. You are required to earn a minimum of 140 out of 200 possible points. Questions appear in the order of presentation of the topics.

Remain aware of the time as you take the test. Pace yourself and be aware that unanswered questions are considered incorrect.

## Study Techniques

There are some techniques you can use to help you prepare for the end-of-course test. Apply the same techniques to each chapter in your Learning Guide.

1. Review the Section Goal.
2. Review each Learning Objective.
3. Change each head and subhead into a question. Then answer the question. For example,  
  
Header: The Vision Statement  
  
Question: What is a vision statement?
4. Review each diagram, graph, and table. Interpret what you see. Ask yourself how it relates to a specific Learning Objective.
5. Check your answers to each Check-In. Correct your original answers, if necessary.
6. Check your answers to each Knowledge Check. Consider ways to improve your original answers.
7. Re-read the summary at the end of each section.

## Appendix

8. Check your answers to each question in the Self-Quizzes at the end of each section. Correct your original answers, if necessary.
9. Review any comments, highlights, or notes you made in each section.
10. Rewrite important ideas in your own words. Find ways to connect those ideas to your own work experiences.
11. Make flash cards to help you review important vocabulary.

## Sample Exam Questions

### Sample 1

**Directions:** Agency ABC considers what products and insurance company offers. Mark each factor the agency will likely consider a positive about the company's products.

1. \_\_\_\_\_ The coverage provided
2. \_\_\_\_\_ The price of the product
3. \_\_\_\_\_ The company's strategic goals for making a profit
4. \_\_\_\_\_ The company's filing with the state insurance department
5. \_\_\_\_\_ The commission paid to the agency

**Correct Answers:** 1, 2, 5

## Sample 2

**Directions:** Which of the following would be considered an agency Selling expense? Circle the correct answers.

1. Travel costs
2. Postage
3. Payroll taxes
4. Rent
5. Pensions

**Correct Answer:** 1

# Glossary of Terms

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## Section 1

**account-rounding revenue growth** – the type of growth that occurs when new coverage is added to an existing account or new lines of coverage that the agency did not write previously

**accounts receivable** – money owed to an agency for its services that has not yet been paid for by other businesses or clients

**acquired revenue growth** – growth that occurs when the agency buys another agency or brings on a producer with an existing book of business

**acquisition** – a process in which one agency purchases most or all of another agency's shares or assets to gain control of the acquired agency

**AI chatbot** – an artificial intelligence-powered program designed to interact with users through text or voice, providing automated assistance, and performing tasks to improve customer service and support

**automated attendant** – a phone system feature that provides pre-recorded or synthesized responses to incoming calls, directing them to the appropriate department or person without the need for human intervention

**balance sheet** – an accounting log that shows a detailed listing of what an agency owns (assets) and owes (liabilities), as well as capital at a specific point in time, giving an indication of the agency's financial condition

**brand** – an agency's identity within the industry/community. It represents how employees, prospects, clients, carriers, and the community view the agency.

**budget** – the financial plan representing expected new and renewal revenue through the upcoming year and the expenses required to achieve the expected result

**business structure** – the organizational setup of a company, including the way it is arranged in terms of ownership, management, and operational hierarchy, which influences its legal, financial, and operational aspects



**C corporation** (or C corp) – a legal structure for a corporation in which the owners, or shareholders, are taxed separately from the entity. C corporations, the most prevalent of corporations, are also subject to corporate income taxation.

**carrier performance** – the frequency with which the carrier declines business from the agency, as well as the competitiveness of the pricing offered by the carrier

**cash flow management** – involves ensuring that a sufficient amount of cash is available to meet a company's financial obligations, such as paying bills and compensation, while also preparing for emergencies and managing periods of higher expenses. It typically includes setting up separate accounts to track and manage day-to-day expenses and pay premiums due to carriers.

**client satisfaction** – a measure of how well an agency's product or services meet a customer's expectations and needs. A common indicator used to measure satisfaction is the net promoter score (NPS).

**commission schedule** – a structured plan outlining the rates of percentages of compensation paid by the insurer based on sales generated by the agency. The agency may also have a commission schedule for its own employees.

**compensation expenses** – the costs the agency incurs to pay its employees and executives; includes wages, salaries, bonuses, benefits, commission, and other forms of monetary or non-monetary compensation

**contingency** – one of the ways a carrier incentivizes an agency to place desirable business with it. These conditional agreements vary by carrier, and the terms are only valid if certain conditions are met, such as a target premium level. It is always insightful to compare contingency and profit-sharing agreements among carriers.

**current assets** – cash, accounts receivables, marketable securities, prepaid expenses, and any other assets that will be converted to cash within the next 12 months

**data privacy laws** – regulations designed to protect individuals' personal information from unauthorized access, use, or disclosure, ensuring that organizations handle and store data in compliance with legal and ethical standards. A common example is the Health Insurance Portability and Accountability Act (HIPAA).

**disruptors** – positive or negative events that result in the need for agency change

**employee performance** – how effectively and efficiently an employee fulfills their job responsibilities, meets goals, and contributes to the overall success of the organization.

## Glossary of Terms

**employee retention** – the strategies and practices used by the agency to keep its employees from leaving, thereby reducing turnover and maintaining a stable workforce

**errors and omissions (E&O) experience** – a record or history of mistakes or oversights made by the agency in the performance of its duties which could have or did lead to financial losses or legal claims against the agency

**executive/owner compensation** – the total financial remuneration and benefits provided to a company's top executives or owners, including salaries, bonuses, stock options, and other forms of compensation

**general partnership** – an unincorporated business with two or more owners who share business responsibilities. Each general partner has unlimited personal liability for the debts and obligations of the business. Each partner reports their share of business profits and losses on their personal tax return.

**goodwill** – activities and attitudes exuded by an agency that contribute to its value and reflects intangible factors such as brand reputation, customer relationships, and employee skills

**hybrid workforce** – a staffing model that combines both remote and on-site employees, allowing for a flexible work environment where employees can work from various locations, including home and the office

**income statement** – (sometimes referred to as a P&L or profit and loss statement) an accounting log that shows an agency's revenues and expenses over a period of time and can depict activity over a month, quarter, or year. The statement itemizes revenues and expenses and can reveal the agency's current profit or loss.

**liabilities** – debts and bills owed by the agency

**limited liability corporation (LLC)** – a business structure that protects the assets of its owners from lawsuits and creditors concerned with the company's business debts. Limited liability companies are hybrid entities that combine the characteristics of a corporation with those of a partnership or sole proprietorship.

**long-term/fixed assets** – tangible items, like cars, desks, and office equipment

**mission statement** – a short but powerful statement regarding the reason an organization exists. It is a “why” statement that states a company's core purpose and overall goal

**new business growth** – growth that occurs because of the sales efforts by the producers to bring new clients into the agency

## Glossary of Terms

**offsite service center** – a facility located away from an agency's main office that provides specialized services, support, or operations, often to manage tasks like customer service. These service centers may be outsourced to another company.

**online web presence** – the visibility and representation of an agency on the Internet through various digital channels, including websites, social media profiles, and online directories

**outsourced call center** – a third-party service provider that manages and handles customer service, support, or sales calls on behalf of another company, often to reduce costs or improve service efficiency

**profit sharing** – an incentive from the carrier to the agency to submit and place accounts that exhibit a lower-than-average loss ratio. The carrier makes money when claims are low and may pass a portion of the profit from this to the insurance agency.

**retention ratio** – a ratio that reflects an agency's ability to retain clients at renewal. It can be calculated in terms of commission, premium, policy, or client count.

**sales planning** – the process of developing strategies and setting objectives for achieving sales goals, including forecasting sales, identifying target markets, and outlining tactics to drive revenue and manage resources effectively

**selling expenses** – the costs involved in selling the products the agency has to offer

**SMART goal** – an acronym used to write effective goals. A SMART goal is specific, measurable, attainable, relevant, and time-bound.

**sole proprietorship** – an ownership model in which one person owns the agency. Under this model, there is no legal distinction between the owner and the business entity.

**strategic planning** – a formal process where the identity, direction, and actions that an agency will take are clearly defined

**Subchapter S corporation** – a business structure permitted under the tax code to pass its taxable income, credits, deductions, and losses directly to its shareholders. Subchapter S corporation status is available only to small businesses with 100 or fewer shareholders.

**succession plan** – a strategy for identifying and preparing suitable candidates to fill key leadership or critical positions within an organization when they become vacant

**SWOT analysis** – a situational analysis used to evaluate an agency's current position by identifying strengths, weaknesses, opportunities, and threats

**talent acquisition and development plan** – a strategy that outlines the processes for recruiting, hiring, and nurturing employees to build a skilled and capable workforce, including identifying talent needs, sourcing candidates, and providing training and career development opportunities

**values statement** – a statement of commonly held core values that define the “who” of the organization. It is often referred to as the agency’s code of conduct.

**vision statement** – a statement that is aspirational in nature and reflects the long-term goals of the agency’s stakeholders; it projects a view of what the agency aspires to be

**work-life balance** – the equilibrium between an individual's professional responsibilities and personal life, ensuring that neither aspect overwhelms the other and that there is time for both work and personal activities, leading to overall well-being and job satisfaction

**workflows** – structured sequences of tasks and processes that outline how work should be completed, detailing the steps, roles, and resources involved to achieve specific objectives efficiently and effectively

**workplace culture** – refers to the shared values, beliefs, behaviors, and practices that characterize an organization and influence how employees interact, work together, and contribute to the agency’s overall environment and success

## Section 2

**employee agreement** – a legally binding contract between an employee and their employer that outlines the terms and conditions of employment, as well as other details such as ownership of the book of business

**employee benefits** – non-wage compensations provided to employees in addition to their regular salary, including offerings such as health insurance, vision/dental, 401(k)s and paid time off

**employee manual** – a document provided by an employer that outlines the agency’s policies, procedures, and expectations. The agency ultimately decides the content, but it can include topics such as workplace conduct, dress code, and disciplinary actions.

**employee turnover** – the rate at which employees leave an agency; it is usually expressed as a percentage over a given time

## Glossary of Terms

**hybrid/remote work** – the ability to perform work outside of the office, typically from home. Employees may work fully remotely, or they may be required to perform some work from the office while the rest of it occurs remotely.

**job security** – an assurance that an employee will have stable and ongoing employment with a low risk of losing their job due to factors such as layoffs, downsizing, or agency instability

**merit increases** – a raise in an employee's salary or wage based on performance, productivity, or achievement of particular goals

**non-compete agreement** – an employment agreement that prohibits a former employee of an agency from working for a competitor, starting a similar business, or soliciting the agency's clients within a specified geographic area and time frame. These agreements are difficult to enforce and currently banned by the FTC.

**non-disclosure agreement** – an employment agreement that requires an employee to keep information such as client details, business strategies, or proprietary processes private and not share that information with unauthorized individuals

**non-piracy agreement** – a limited form of a non-compete agreement that prohibits a former employee from soliciting clients or employees of the agency for a specified period of time

**onboarding process** – a process in which everything needed to prepare a new employee to become a functioning member of the agency team is provided. This includes logistical setup such as direct deposit and benefits, as well as technical training on skills needed to succeed in a role.

**performance evaluation** – a systematic process in which an employer appraises an employee's job performance, skills, and contributions. Typically, feedback will identify strengths and areas of improvement and may be tied to promotions or raises

**performance standard** – a defined criteria used to measure an employee's performance against specific job expectations or agency objectives

**position description** – a detailed document that outlines the responsibilities, duties, qualifications, and expectations associated with a specific job role within an organization. It typically includes information on job functions, required skills, working conditions, and reporting relationships.

## Glossary of Terms

**positive agency culture** – a work environment characterized by supportive relationships, open communication, mutual respect, and shared values that foster employee engagement, satisfaction, and collaboration

**primacy bias** – the tendency of an interviewer to disproportionately prefer individuals who were first interviewed for a position since they may be easier to recall or may set the tone for subsequent interviews

**professional development** – Ongoing learning and training activities designed to enhance the skills, knowledge, and competencies of insurance professionals

**recency bias** – the tendency of an interviewer to disproportionately favor individuals who were interviewed last since those interviews may be the easiest to recall

**salary range** – a spectrum of compensation for a particular position, reflecting factors such as experience, skills, performance, and market conditions

**soft skills** – personal and interpersonal abilities that enhance an individual's performance in the workplace. Soft skills include the ability to communicate effectively, engage in creative problem-solving, remain adaptable and flexible, and demonstrate social and emotional awareness in working with diverse colleagues and clients.

**workforce diversity** – the inclusion of individuals from a wide range of backgrounds, including differences in race, ethnicity, gender, age, sexual orientation, disability, and other characteristics, within an organization

**working conditions** – the environment and factors impacting an employee's role, including physical workspace, comfort, hours of work, and overall job environment

**workforce planning** – a consistent and ongoing initiative to identify candidates through various sources, introduce them to the insurance business and agency, and to interview, hire, and begin a training process. The overarching goal is to ensure the agency has the staffing required to meet its objectives and sustainably grow over time.

## Section 3

**Account-rounding** – a practice that focuses on ensuring that a client has the best coverage across all pertinent insurance lines by checking for gaps in existing coverage and selling additional products to fill those gaps

## Glossary of Terms

**bounce rate** – the percentage of visitors who leave a website after viewing only a single page without interacting further or visiting additional pages; used as a metric to assess engagement and the effectiveness of an agency's website content or design

**client education** – the process of informing clients about insurance products, coverage options, and specific terms of their policies. It aims to empower clients to make informed decisions and understand their insurance needs, fostering trust and long-term relationships.

**client retention** – refers to the ability to maintain long-term relationships with existing clients by continuously meeting their insurance needs and ensuring customer satisfaction. It is crucial for sustaining business growth since retaining clients typically costs less than acquiring new ones and helps foster loyalty and repeat business.

**competitive advantage** – the unique qualities or strategies that differentiate the agency from its competitors, enabling it to attract and retain clients more effectively

**consumer expectations** – standards and service levels that clients anticipate when interacting with the agency, including timely responses, personalized service, and transparent communication

**contact management system (CMS)** – a software tool used to organize, track, and manage interactions with clients and prospects

**conversion rate** – the percentage of visitors or leads who take a desired action, such as purchasing a product or completing a form; used as a metric for evaluating the effectiveness of marketing strategies

**cross-selling** – the practice of offering a client additional products or services that complement their existing policies. It aims to meet the client's needs while increasing agency revenue by bundling multiple coverages or enhancing existing coverage.

**jargon** – specialized terminology or language used within the insurance industry that may be unfamiliar to clients

**marketing program** – a strategic plan designed to promote the agency's services and attract new clients through various channels, such as digital advertising, direct mail, and community events

**open-ended questions** – inquiries that encourage clients to share detailed responses and insights rather than simple yes or no answers

**parametric insurance** – a type of insurance that pays a predetermined amount when a specific event occurs, such as a natural disaster. These policies are designed to provide quick financial relief by using predefined parameters to trigger automatic payouts.

**sales culture** – the collective values, practices, and attitudes that prioritize and promote effective selling techniques and client engagement among agents and staff

**target market** – a specific group of potential clients identified as the most likely consumers of the agency's products and services. Understanding the demographics, preferences, and needs of this group allows the agency to tailor marketing efforts and offerings to effectively attract and retain these clients.

**targeted advertisements** – marketing efforts that use data analytics and segmentation to reach a defined audience based on their demographics, behaviors, and needs

**Web Content Accessibility Guidelines (WCAG)** – a set of international standards designed to make web content more accessible to people with disabilities, including those with visual, auditory, cognitive, and motor impairments. These guidelines provide specific recommendations to improve the usability of websites and digital content, ensuring inclusivity and equal access for all users.

## Section 4

**bridging** – a process in which agency employees input data into the agency's electronic management system and then send that information electronically to a variety of different carriers, reducing the need for repeated manual entry of information

**cloud computing** – the use of remote servers hosted on the internet to store, manage, and process data, rather than relying on local servers or personal computers. This enables the agency to access client information, process claims, and run software applications more efficiently while improving scalability, security, and collaboration across locations.

**comparative rating system** – a third-party rating program that enables an agency to obtain accurate risk quotes from several carriers

**consultative customer service** – a customer service approach that involves agents acting as trusted advisors, understanding clients' specific needs, and providing tailored insurance solutions rather than simply selling products. This approach builds long-term relationships by focusing on education, personalized recommendations, and ongoing support to ensure clients have the right coverage as their circumstances change.



## Glossary of Terms

**defined utilization** – a level of technology utilization in which an agency defines workflows and procedures that provide the most practical and effective use of technology

**document management** – the systematic process of capturing, storing, organizing, and retrieving client and policy documents in physical and digital formats. Effective document management streamlines operations, ensures regulatory compliance, and enhances accessibility, allowing agents to manage claims, policies, and client records efficiently.

**downloading** – the process of transferring information electronically from an insurance company database to an agency management system

**essential utilization** – a level of technology utilization that represents the lowest possible use of technology in the agency. Technology is present, but agency business does not depend on its usage.

**“garbage in, garbage out” (GIGO)** – refers to the principle that inaccurate or poor-quality data entered into systems will lead to flawed outputs, such as incorrect policy documents

**internal needs assessment** – a process of evaluating the agency’s current technology infrastructure, workflows, and staff capabilities to identify areas where digital tools and systems can improve efficiency and performance

**managed utilization** – a level of technology utilization in which workflows and technology use are managed to provide strategic and reliable processes that begin to focus on customer needs. Workflows are structured and start to have consistency to support the agency. Productivity is measured, and technology use is audited.

**optimized utilization** – a level of technology utilization in which technology is used to conduct more of the various tasks of running an agency. Less non-productive time is spent on processing workflows. Instead, employees spend more time managing and measuring the quality of activities that affect customers, including hands-on time and workflow processes.

**personally identifiable information (PII)** – any information that can identify an individual, such as names, addresses, Social Security numbers, or financial details

**quantified utilization** – a level of technology utilization in which an agency begins to measure the value and efficiency it receives from technology implementation. There is a focus on staff productivity and how they can provide the best service to their clients.

**telematics** – the use of telecommunications and data to monitor and transmit real-time information about vehicle usage, driving behavior, and location

**voice-over internet protocol (VoIP)** – a technology that allows voice communication and multimedia sessions to be transmitted over the Internet instead of through phone lines. This is a flexible and cost-effective communication solution within the agency.

**workflow** – a defined sequence of tasks or processes that guide how work is completed, moving from one step to the next to achieve a specific goal

## Section 5

**actual (express) authority** – authority that is plainly granted, either orally or in writing, by an insurance company (the principal) to an agent

**agency code of ethics** – a code of conduct within the agency that sets guidelines and principles designed to help individuals within the agency conduct business with honesty, integrity, and responsibility

**broker** – an individual who acts or aids in negotiating insurance contracts, in placing risks, or in soliciting or effecting contracts as an agent of an insured and not as an agent of an insurance company

**ethical behavior** – the practice of acting with honesty, fairness, and integrity when dealing with clients, colleagues, and business partners. It involves adhering to legal and regulatory standards, maintaining transparency in communication, and prioritizing the client's best interests over personal gain.

**false advertising** – the use of misleading or deceptive information in marketing or promotional materials to attract clients. This can involve exaggerating the benefits of a policy, hiding key exclusions, or misrepresenting the terms and conditions of coverage, leading consumers to make uninformed decisions.

**Golden Rule** – a moral principle that encourages individuals to treat others as they would like to be treated themselves. It emphasizes empathy, fairness, and respect in interactions, fostering positive and ethical behavior in personal and professional relationships.

**implied authority** – unexpressed authority given to an insurance agent that is not explicitly communicated via contract but is consistent with the spirit of the contract and allowed by the insurer. For example, using the company's brand in online marketing materials could be implied authority if the contract allows for the use of the company's brand but does not explicitly mention online advertisement.

**insurance agent** – an individual appointed by an insurer to solicit applications, to collect premiums, and to bind or effectuate policies so authorized

## Glossary of Terms

**insurance counselor/consultant** – an individual who, for a fee, engages in the business of offering advice, counsel, opinions, or service on insurable risk or concerning benefits, coverages, or provisions under any insurance policy or involving advantages of any insurance policy or formal plan of managing pure risk

**managing general agent** – an individual with underwriting, claims, and reinsurance placement authority from an insurer. Many wholesalers have underwriting authority. Generally, state statutes define the authorities of a managing general agent

**misrepresentation** – intentionally providing incorrect information regarding a risk or a claim to an insurer; alternatively, refers to making false or incomplete statements about the coverage that a policy offers to a client

**no authority** – an agent with non-existent authority to work with clients seeking insurance. Furthermore, there is no authority granted by a court for fraudulent acts.

**professional ethics** – adhering to a set of established moral principles and industry standards that guide individuals in their professional conduct. This includes ensuring confidentiality, avoiding conflicts of interest, and providing accurate and reliable information while consistently acting in the best interest of clients and the organization.

**rebating** – the practice of giving something of value (usually money) to an unlicensed party to induce that party into purchasing insurance. Rebating can include giving all or part of the commission the agent earns to the consumer or other unlicensed person.

**replacement** – selling the insured a new policy to “replace” a current policy from another insurer for financial or monetary gain

**solicitor** – an individual appointed by an agent or broker to assist in soliciting applications and collecting premiums

**special relationship** – when a professional is someone who possesses unique or specialized expertise or who is in a special position of confidence and trust with the injured party such that reliance on the negligent misrepresentation is justified

**surplus lines broker** – an individual who negotiates coverage on behalf of a client from an excess and surplus lines (E&S) insurer

**tied selling** – the practice of making the purchase of one product or service contingent upon the purchase of another

**twisting** – the practice of inducing customers to change insurance carriers by providing false information about either the company or policy form