

PERSONAL LINES PRODUCT COMPETITION

Does price sell a product? Yes, to some extent. But what if there is not much price difference between competing companies? What makes the sale? Generally, the difference is going to be in the marketed coverage. Companies highlight those unique provisions. Heard of the “disappearing deductible”? Or, how about “no depreciation” in the first year?

The purpose of this article is to show some of the coverage enhancements companies use to differentiate their product from the competitors. These enhancements give a company’s agents the opportunity to highlight why coverage for the offered insurer may be better and to sell a product over the perception that the lowest price means the best product.

Personal Auto

Here are some of the major enhancements used in today’s marketplace:

- Disappearing deductible – A comprehensive or collision deductible is reduced (with a premium reduction) automatically if the insured has no at fault physical damage accident over the prior year. The deductible never goes down to \$0 – but a \$250 collision deductible could be reduced to \$100 over a few years with good experience.
- Replacement without depreciation – As soon as a car is driven off a car lot, the replacement value drops. Many companies, for new cars, provide full replacement cost if there is a complete loss within the first year. A few will even provide full replacement – for the price paid – for a used vehicle, if there is a total loss within the first few months after purchase.
- Roadside Assistance – Yes, the normal policy provides some towing and labor coverage. However, “roadside assistance” provides more than that. Normally it is the negotiated coverage the carrier agrees to with the vendor the carrier uses. It can be automatically provided or made optional for a charge. Coverage normally provides on-site labor for tire replacement, on-site labor for other accidental mechanical breakdowns up to a specified dollar amount, opening of doors to access locked in keys, bringing in 5 gallons of fuel to fill empty tanks, and towing (up to 30 miles) to a local garage for necessary additional repairs. Coverage can even include the cost of necessary accommodations if the break down is away from the insureds residence.
- Keys – Up to a stated amount is provided to replace keys that are lost, stolen, or broken.
- Pets – Up to a stated amount is provided for accidental injury or death to a pet while in an insured vehicle.
- Air Bags – The cost to repair or replace an air bag that accidentally deploys is provided.

- Trailers – Either or all of the length, type, or weight carrying capability specifications are increased.
- Non-owned vehicles – Extended coverage may be provided for non-owned autos used in business.

Homeowners

Carriers have enhancement filings in effect to provide:

- Replacement Cost Coverage – Automatic replacement cost is provided for contents.
- Boats – For liability coverage, the length of sail boats is increased from 26 feet to 39 feet or, for other boats, the maximum horsepower of engines is increased from the standard 50 horsepower.
- Automatic Inflation Adjustment – Automatic increases in the coverage amounts tied to the US Department of Labor Consumer Price Index are provided rather than based on the percentage provided in the Declarations.
- Theft – Full coverage – without any deductible - is provided for theft of personal property, personal jewelry, and other specified items if the premises has a security alarm system that was activated and functional at the time of loss.
- Sub-limits – Limits are increased for specific categories. For example, the following limits may apply instead of those in the basic policy:
 - \$5,000 for theft losses of PCs and other electrical devices;
 - \$5,000 for loss to an oriental or custom made rug or carpet;
 - \$2,500 for spoilage of food due to electrical outages lasting more than a specified number of hours (for example, 24 hours);
 - \$2,500 in the aggregate for physical loss to electrical appliances (including PCs) due to sudden electrical surges when the appliance is plugged into a surge protector.
- Water escape – Coverage is provided for specified appliances damage due to escape of water from a sump pump or drain. Coverage may automatically apply up to a low specified limit and higher limits may be available for a charge.
- Equipment Breakdown – Coverage is provided for the repair (but not replacement) of specified equipment; such as central air units, furnaces, heat pumps, and/or sump pumps.
- Water and Sewer Line Breakage – Coverage is provided for the repair of water and sewer lines, in the insured premises, cause by normal wear and tear.

How do Companies Obtain Competitor Information?

Well, there are many means:

- Have the company's marketing department obtain a copy of competitors' enhancement endorsements and their pricing from a friendly agent;
- Search the local Insurance Department files of approved forms and manual rules;

- Use the NAIC SERFF system, when available through a State Insurance Department's website; and/or
- Hire a consultant to assemble the material and develop coverage language and pricing options for the company's consideration.

Pricing

Pricing of coverage enhancements can vary greatly. Some companies attach a basic set of coverage enhancements without charge. Then make additional enhancements – for example, higher limits and additional coverages, available for a price. Some may even allow an insured many options to increase individual limits for one or more additional charges. Generally, an insurer will have one standard coverage enhancement endorsement.

Other companies make a charge for the basic set of enhancements and then provide additional charges individually for additional coverages and additional limits. These options may be provided by one or several endorsements. There are companies, however, that use the standard options available through the insurance service organization filings.

Charges may apply per policy, per insured location, per vehicle, per driver, or even based on number of a range of locations or vehicles insured.

Summary

There is competition in the industry. Basic enhancement packages vary by coverage, limits and price. Additional enhancements – either by coverage and/or limits – may or may not be available based on the carrier(s) being considered. While price does sell, agents and companies have the opportunity to sell based on coverage provided or available as well.

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