

## PERSONAL LINES

### Personal Property Coverage

#### How to Explain Any Coverage: Tips & Tricks

- 2 Sentences & A Question: Make it a conversation
- Nana Principle: Use the vocabulary you would use with your Nana (nothing complicated)
- Be Concise: try not to talk in circles
- Tell A Story to Illustrate the Coverage
- Always talk about pricing in monthly amounts
- If someone is not interested ask a few more questions and always document your system

#### Coverage Explanation

Personal Property Coverage is found on property policies, homeowners, renters, and condominium insurance policies. This coverage helps protect personal belongings or possessions in the event of covered peril (losses), such as theft, fire, vandalism, or certain natural disasters. It is important to note that personal property coverage usually applies to items inside your home or, in some cases, items you take with you outside of your home. Things that are stolen from your vehicles would fall under this coverage NOT your auto policy. Appliances are not covered for mechanical failure under this coverage, they would be covered in a fire loss, however. Deductibles for these policies are usually much higher than auto policies to keep the rate lower and avoid unnecessary claims filing.

#### How the Policy Helps Clients

- **Scope of Coverage:** Personal property coverage typically applies to a wide range of belongings, including furniture, clothing, electronics, appliances, jewelry, and other personal items. The coverage extends to items owned by you, your family members, or anyone else residing in your household.
- **Perils Covered:** The coverage is triggered when personal property is damaged or destroyed by covered perils listed in the insurance policy. Common perils include fire, theft, vandalism, windstorms, and certain types of water damage.
- **Limits and Deductibles:** Insurance policies usually have limits on the amount of coverage for personal property. These limits can vary depending on the type of item and the overall coverage limit of your policy.
- **Valuation of Personal Property:** When determining the value of personal property, insurance

policies may use actual cash value (ACV) or replacement cost value (RCV). ACV takes depreciation into account, meaning the client will receive the current market value of the item at the time of the loss. RCV, on the other hand, covers the cost of replacing the item with a similar new item, without deducting for depreciation.

- **Special Limits:** Some policies may have special limits on certain types of high-value items, such as jewelry, artwork, or collectibles. If the client has valuable items that exceed these limits, you may need to purchase additional coverage or a separate policy, such as a floater or endorsement, to adequately insure them. Note: In most cases, a client's amount of personal property must be at least double that of a scheduled item. It does not make sense that a client will have a \$15,000 engagement ring and \$20,000 personal property.
- **Inventory and Documentation:** To streamline the claims process, it's advisable to create a home inventory documenting the client's possessions and their approximate values. This can include photos, receipts, and a detailed list of items. We recommend a personal property inventory booklet (your agency can make one and give it to clients.)

### Example of Claims

1. Christmas presents are stolen out of the vehicle while the customer is shopping. Customers think this is covered under their auto policy, however, it is not. This coverage would fall under the personal property of their property policy (which carries a higher deductible.) Oftentimes it is not worth claiming this as the deductible is normally not met for the items that were stolen.
2. Water leak in the apartment above the customer's. This one is difficult. The customer will not want to file a claim on their policy when it was the other person's fault, however, in most cases, the insurance companies will have to pay out for the loss and then choose to make the other person's insurance liable after that. It is important to have Loss of Use coverage as well in case this type of claim happens. If there is a water leak in the apartment above it will not only affect your property, but you will probably not be able to stay there while repairs are being made.
3. Sump Pump Failure in apartment complex-Bad rain storm, basement level apartment, apartment flooded due to apartment complex sump pump failure. The entire apartment was flooded except for 1 room. Customers needed a place to stay and personal property coverage. The apartment complex did not accept liability and refused to clean the carpet. The customer was forced to use their renter's insurance policy.

### How to Explain It to Clients

1. Introduction:
  - Start by introducing the concept of personal property coverage. You can say something like, "Personal property coverage is a crucial part of your [homeowners/renters/condo] insurance policy that protects your belongings in case of unexpected events."
2. Definition:
  - Define personal property as the items you own and use regularly, such as furniture, clothing, electronics, and other personal belongings.
3. Coverage Scope:
  - Explain that personal property coverage applies not only to items inside the home but also, in many cases, to items you take outside the home, like a laptop or a camera.

#### 4. Covered Perils

- Describe the types of events or risks that personal property coverage protects against. Mention common perils like fire, theft, vandalism, and certain natural disasters. Emphasize that the coverage helps replace or repair these items if they are damaged or destroyed due to covered events.

#### 5. Limits and Deductibles:

- Clarify that there are limits to the amount the insurance company will pay for personal property, and there may be a deductible, which is the amount the client is responsible for before the insurance coverage kicks in. Give examples to illustrate these points.

#### 6. Valuation Methods:

- Explain the difference between actual cash value (ACV) and replacement cost value (RCV). Use simple examples to help the client understand how these valuation methods affect the amount they would receive in the event of a claim. Replacing a TV purchased 5 years ago with ACV vs RCV. ACV will get the amount that 5-year-old TV is worth today (if anything) and RCV will get a new same-size TV, definitely worth paying for RCV.

#### 7. Special Considerations:

- Inform the client about any special limits on high-value items and the importance of considering additional coverage, such as floaters or endorsements, for valuable possessions like jewelry, artwork, or collectibles.

#### 8. Documentation:

- Stress the importance of creating a home inventory. Explain that maintaining a detailed list, along with photos and receipts, can streamline the claims process and ensure accurate compensation for lost or damaged items.

#### 9. Review and Questions

- Summarize the key points and ask if the client has any questions. Encourage them to review their policy carefully, and offer to go through specific details with them.

#### 10. Policy Updates:

- Remind the client that it's essential to update their insurance provider if they acquire new valuable items or if there are significant changes in their possessions. This ensures that their coverage remains appropriate over time.

Always adapt your explanation to the client's level of understanding and be open to addressing any questions or concerns they may have. Providing real-life examples or scenarios can also enhance their comprehension of personal property coverage.

### Common Objections

Objection	Response
I don't have enough personal property to worry about that	I understand I felt that way once too, but when you realize how quickly we accumulate belongings you'd be surprised. When you consider every room of your house including your kitchen and your appliances they can add up fast. It is best to put at least the minimum to make sure you are adequately covered.
I don't need that coverage	I understand, I thought that once too until I heard about a "use examples of customer damage" water loss a customer of mine had and they didn't have

coverage. The only belongings they had left were the ones that were in their car and they had to start over with nothing, that is not something I would like you to have to experience.

My belongings aren't worth insuring

I understand, but accidents happen and you never know when something will happen, it is better to have the coverage than to not have it. The coverage isn't very expensive, it costs \$\_\_ a month.

When a customer gives you an objection, mention the following:

- Acknowledge Concerns
- Explain Purpose
- Highlight the Possibility of Unexpected Losses
- Explain Replacement Cost
- Discuss Affordability
- Let them know this coverage can give them Peace of Mind
- It is customizable
- Legal or Lease Requirements
- Encourage Reassessment
- Provide Examples