



## **CIC STUDY GUIDE**

### **Tips for Success in the CIC Program**

The Certified Insurance counselor (CIC) program was created in 1969 as a way of providing high-quality continuing education to independent agents and other insurance professionals. CIC has become the nation's premier professional insurance designation program because of its high standards. Top-quality instructors cover a great deal of material in each of the five CIC institutes and each course is followed by a rigorous two-hour essay examination.

Depending on your level of experience and expertise, it may be beneficial to prepare in advance if you are planning to take the exams and work toward the CIC designation. We recommend that all attendees take the exams, whether their primary interest is earning the designation or just meeting their state continuing education (CE) requirements.

CIC focuses on practical training that you can use in your office and taking the exams will help reinforce what you've learned. Also, in case you start out just trying to meet your CE requirement and subsequently decide to go for the designation, you won't want to have missed the opportunity to get an exam under your belt.

The CIC program consists of five separate 20-hour courses—Commercial Property (CP), Agency Management (AM), Commercial Casualty (CC), Life & Health (LH), and Personal Lines (PL)—which can be taken in any order. The purpose of this guide is to provide some insight into what will be covered in each class and how you might prepare prior to your attendance.

This preparation guide includes three main parts:

- A listing of suggested CIC preparation resources
- A brief discussion of CIC exams
- A breakdown of topics covered in each CIC institute along with sample exam questions.

### **Possible Study Materials to Help You Prepare for CIC Attendance**

**ISO and Other Coverage Forms:** Because you will need to achieve a much more detailed understanding of the forms by the time you take the CIC exam, a better source for preparation for the CP, PL and CC institutes would be to closely read the latest editions of the actual coverage forms. Don't try to memorize them, but read them all the way through and highlight or underline what seem to be the important parts. Also, mark the parts you don't understand, or write questions in the margins.

When the CIC instructor begins covering a topic, you won't be seeing the form for the first time. The areas stressed and the examples given will help clarify the difficult parts of the form, so be prepared to listen closely and ask questions, if necessary, when we get to the areas of the form you didn't comprehend when you read it yourself.

**Prior CE Courses:** Most CE classes are at a much more basic level than CIC, but those that cover the same material as a given CIC institute can be a useful introduction. If you've saved the materials from prior CE courses—especially if you took good notes during the class—these can be an excellent review source prior to attending CIC.

Keeping in mind that CIC courses will use the latest editions of any forms discussed, so if the manual from your prior CE course is outdated, you should use it for general review purposes only. Try to review the newer editions or obtain an article that details the changes between the two editions of the forms in question.

**Office Technical Resources:** If you have FC&S manuals or other technical resources in your office, they can be very helpful in preparing for CIC. They often not only provide copies of the forms that will be discussed, but they also include detailed analyses of certain parts of the forms and related issues, so you can go beyond your own reading of the forms.

**Get Acquainted With Life & Health Insurance**—This document, created by the Society of CIC and available free from PIA, was specifically designed to help you prepare for the LH institute. Call the PIA office for your copy.

## **CIC Exams**

Each CIC institute ends with a two-hour essay exam. Most of the exams have about 18-22 questions, and most of the questions have subparts with the potential points clearly indicated by each part. There will be a total of 200 points on each exam, and you need 70% (or 140 points) to pass. Because it is an essay exam, there is plenty of opportunity to receive partial credit if you know the material.

The three property-casualty coverage courses—Commercial Casualty, Personal Lines, and Commercial Property—are very similar in organization, presentation style, and exam format. Each of these courses focuses on a detailed analysis of policy coverages, and most of the exam questions involve coverage scenarios in which the student must indicate whether particular claim situations would be covered, given certain coverages in force, explain why they are or are not covered, and possibly recommend endorsements that would address coverage gaps.

The Life & Health and Agency Management institutes are more conceptual in nature than the three coverage-oriented classes, and their exams tend to involve more recall and less application.

Exam questions are asked in the same order in which subjects are discussed during the class, and the point values of questions are weighted based on the amount of time devoted to each topic. For example, six hours of the Commercial Casualty institute are devoted to Commercial General Liability (CGL) coverage, so there will be about 60 points worth of questions on the CGL—i.e., six hours of CGL / 20 hours of class x 200 points on exam = 60 points on CGL.

Keep in mind which are the major topics as you prepare for a CIC institute, because you'll benefit much more on the exam from a thorough understanding of a four-hour or six-hour topic than you will from a one-hour or two-hour topic.

Our education consultants write the exams and answer keys during the classes, so they will always reflect topics that were included in the speakers' outlines and discussed in class. The exam questions are intended to test your knowledge, not to trick you, so don't read too much into the questions—i.e., they are usually challenging but straightforward.

At the institute, it will help you to prepare for the exam if you review your notes each night, rather than waiting until the night before the exam. As you review, try asking yourself questions about the material, such as, "if my client asked me about this concept, how would I explain it?" Or "If a claim occurred, how would this policy respond?" Writing out short answers to some of these questions may help you prepare for the essay exam you'll be taking at the end of the institute. Also, take advantage of the opportunity to discuss the class and your thoughts about the exam with other students—both fellow exam takers and CICs.

### **CIC Institute Agendas and Sample Exam Questions**

Each CIC institute consists of 20 hours of class. Of that 20 hours at least 16 will be mandatory topics, which will be included in that particular institute whenever it is held anywhere in the country. These topics will vary somewhat by state, due to the inclusion of state-specific endorsements. They will also vary somewhat by instructor, because CIC instructors develop their own outlines, which must be approved by the Society of CIC.

Each institute (except Agency Management) also has about 2-4 hours of optional topics. These are not optional for the students attending the class, but are the topics that PIA and our Ed Consultants decide to include, based on participant and board feedback, when we plan our agendas for the coming year. Each optional topic outline must also be approved by the Society to maintain quality, but the instructors sometimes have more flexibility in these optional topics.

This guide will show each of the mandatory topics for each institute with a description of the major elements that are likely to be covered in each topic. We will then list possible optional topics for each institute. Then we will end the description of each institute with a couple of sample exam questions and answers.

# **CIC – Commercial Property Institute**

## **Commercial Property Coverages (Four hours)**

This topic will begin every Commercial Property institute, and the speaker's presentation will revolve mainly around ISO's Building and Personal Property Coverage form (CP 00 10), with emphasis on property covered and not covered, additional coverages, and coverage extensions. We will also discuss such issues as schedule vs., blanket coverage, valuation, and coinsurance.

## **Commercial Property endorsements (Two hours)**

This section will survey a number of Commercial Property endorsements and how they alter coverage. Remember, a typical exam question may offer a scenario involving an insured with a Building and Personal Property form with certain limits and a certain Causes of Loss form, then ask whether particular occurrences would be covered and, if not, how to address these gaps. One or more of the endorsements discussed in this section may provide the answer to how to deal with some coverage gaps.

No individual endorsement will be analyzed in the same detail as the Building and Personal Property form or the Special Causes of Loss form. The emphasis will be more on each endorsement's function, and we may look at a few key features of each.

## **Commercial Property Causes of Loss Forms (Two hours)**

This part of the course will focus mainly on the three ISO Commercial Property Causes of Loss Forms: the Causes of Loss—Basic Form (CP 10 10), Causes of Loss—Broad Form (CP 10 20), and especially, the Causes of Loss—Special Form (10 30). Emphasis will be on what's covered and what's excluded.

## **Time Element Coverages (Four hours)**

This topic is more conceptual and less coverage-specific than the previous topics. Some time will be spent on the concept of time element or business income coverage, and review of a number of forms, but none in the same detail as we will the Building and Personal Property or Causes of Loss Forms.

A partial list of coverage forms and endorsements likely to be reviewed include:

- Business Income (and Extra Expense) Coverage Form (CP 00 30)
- Business Income (without Extra Expense) Coverage Form (CP 00 32)
- Extra Expense Coverage Form (CP 00 50)
- Leasehold Interest Coverage form (CP 00 60)
- Business Income From Dependent Properties—Broad Form (CP 15 08)

- Business Income From Dependent Properties—Limited Form (CP 15 09)
- Ordinary Payroll Limitation (CP 15 10)
- Business Income Report/Work Sheet (CP 15 15)
- Business Income Premium Adjustment (CP 15 20)
- Ordinance or Law—Increased Period of Restoration (CP 15 31)

### **Commercial Inland Marine Coverages (Four hours)**

This topic will define what inland marine insurance is and examine a number of important inland marine concepts as well as sample forms of various types of inland marine coverage.

We will review a variety of inland marine forms and discuss their specific uses. Because there will be no standard version of most of these forms, we cannot recommend a particular version to study. If you can obtain samples from your companies, it would be helpful to review them, but you probably would not want to study them as closely as you might the Building and Personal Property and Causes of Loss forms, because we will likely be using a different company's version of the inland marine forms in the class.

The FC&S manuals or any introduction to inland marine text may provide good sources to study for this topic.

Concepts and coverage forms likely to be discussed in this section include:

- The nationwide Marine Definition
- Controlled vs. uncontrolled lines of inland marine
- Accounts receivable coverage
- Valuable papers and records coverage
- Builders risk coverage
- Motor truck cargo—owner's forms
- Transportation floater
- Installation floater
- Contractors equipment floater

### **Businessowners Policies (BOP) (Two hours)**

The emphasis of this topic will be on what most BOPs contain and what the pitfalls are of using a BOP.

### **Optional Topics**

The remaining two hours of the Commercial Property Institute will be made up of one two-hour topic or two one-hour topics. Some of the subjects that may be covered include:

- Other inland marine (e.g. Bailees coverage, various floaters, trucker's cargo)
- Crime Coverages

- Difference in Conditions (DIC)
- Equipment breakdown (i.e., boiler & machinery)
- Manufacturers output policy (MOP)
- Electronic Data Processing (EDP) Coverages
- Flood
- Highly protected risks (HPR)
- Commercial Risk Management
- Case study—risk management

### **Sample Commercial Property exam questions:**

*Sample CP Question 1:* MAP Company insured its corporate headquarters under a Building and Personal Property Coverage Form with the Special Causes of Loss Form. The building is insured for \$600,000 and the business personal property for \$200,000. The 80 percent coinsurance requirement is satisfied. Answer the question posed by Ms. Peterson, the comptroller, as to how the policy would respond to the following losses:

- Part of our premises includes an unattached retaining wall for decorative effects. The value of this wall is \$15,000. What coverage applies if a drunk driver smashes into the wall?
- Will our policy pay for loss to our employees' belongings while they are at work?

*Sample Answer 1A:* No coverage. Retaining walls that are not part of the building are defined as Property not covered.

*Sample Answer 1B:* Yes. Under the Coverage Extension Personal Effects and Property of Others coverage applies up to \$2500 at each described premises. However, loss or damage by theft is not covered.

*Sample CP Question 2:* A prospect of yours decided to purchase Business Income Coverage from your agency. This prospect asks you the following the questions: "If my business is closed down for a long time, it will be ages after I reopen before all my customers return and my revenue returns to normal. How would this coverage respond?" Please respond to the client's question, giving the coverage and any limits or restrictions.

*Sample Answer 2:* The policy would pay the loss of business income that continues after physical restoration for up to 30 days or until the limit is exhausted, whichever occurs first. The time period may be extended beyond the 30 days up to 360 days.

# **CIC – Commercial Casualty Institute**

## **Essentials of Legal Liability (Two hours)**

Every Commercial Casualty institute will begin with this two-hour topic. This is a conceptual, rather than coverage-oriented, topic focusing on legal concepts and terms related to casualty insurance. As a two-hour introductory topic it may not be as important an area to focus on in your advance preparation as the subsequent coverage topics (i.e., it will account for about 10% of the exam), but if you have FC&S, or a law dictionary available it may be worth reviewing some of the following terms and concepts:

- Negligence
- Legal liability
- Tort
- Strict liability
- Absolute liability
- Joint and several liability
- Statute of limitations
- Vicarious liability
- Hold harmless agreement
- Damages, types of (i.e., economic, punitive, etc.)

## **Commercial General Liability (Six hours)**

This will usually be the second topic at a Commercial Casualty institute, and as the longest single topic in the course, it would be an excellent area to focus on in your preparation. The main subject will be the ISO Commercial General Liability (CGL) policy (CG 00 01) and related endorsements.

Aside from a detailed analysis of the CGL and a review of various endorsements, we will also deal with issues such as the two liability coverage “triggers”—occurrence (form CG 00 01) versus claims-made (form CG 00 02)—available in the CGL.

## **Business Automobile coverages (Four hours)**

The emphasis here will be on the ISO Business Auto Coverage Form (CA 00 01) and related endorsements. An excellent way to prepare would be a detailed reading of the Business Auto Policy (BAP) and a review of some of the major endorsements and their uses.

Endorsements likely to be covered include:

- Drive other car (CA 99 10)
- Individual named insured (CA 99 17)
- Employees as insureds (CA 99 33)

- Hired autos (CA 99 16)
- Additional insured—lessor (CA 20 01)
- Rental reimbursement coverage (CA 99 13)

### **Workers Compensation (Four hours)**

This is another topic with a large conceptual element. We will look at Workers Comp (WC) laws from both a state-specific and national viewpoint, reviewing the types of issues addressed in all WC laws as well as specifics of Florida's Workers Comp law. Topics discussed will include:

- Common law obligations and defenses of employers
- Exclusive remedy concept
- Different types of state WC laws
- Methods of funding WC
  1. Private insurers
  2. Competitive state funds
  3. Monopolistic state funds
  4. Self-insurance
- Types of benefits provided by WC
  1. Medical expenses
  2. Disability benefits
  3. Death benefits
  4. Survivor benefits
- Classes of disability
  1. Permanent total disability
  2. Permanent impairment (partial disability)
  3. Temporary total
  4. Temporary impairment
- Second injury funds

We will not be analyzing these forms in the same kind of detail that we deal with the CGL or BAP, but some of the forms likely to be included are:

- Workers Compensation and Employers Liability Insurance Policy (WC 00 00 00)
- Voluntary compensation (WC 00 03 11)
- Alternate employer (WC 00 03 01)
- Longshore and Harbor Workers' Compensation Act Coverage (WC 00 01 06)
- Maritime coverage (WC 00 01 01)
- Labor contractor endorsement (WC 00 03 20)

## **Excess Liability/Commercial Umbrella coverages (Two hours)**

Like the Inland Marine section of the Commercial Property institute, this topic deals with nonstandard forms. There is not one dominant version of the commercial umbrella policy that you can study closely, but you would benefit by reviewing any sample policies you have access to. Some of the issues dealt with in this topic will include:

- Umbrella coverage vs. excess liability
- Umbrella “drop down” provision
- Self-insured retention (SIR)
- Underlying coverage issues (e.g. concurrency, adequacy of limits)

## **Optional Topics**

The remaining two hours of the Commercial Casualty institute will vary depending on when you attend. Some of the possible topics are:

- Directors & Officers (D&O) liability
- Garage liability
- Employment-related practices exposures
- Pollution liability
- Professional liability

## **Sample Commercial Casualty Exam Questions:**

*Sample CC Question 1:* Your insured states that he understands his Commercial General Liability policy provides coverage for an “insured contract.” He then asks, “What is an insured contract?” How do you answer your insured’s question?

*Sample Answer 1:*

- 1) Lease of premises
- 2) Sidetrack agreement
- 3) Easement or license agreement, except construction or demolition on or within 50 feet of railroad
- 4) Agreement to indemnify municipality, except in conjunction with work for municipality
- 5) Elevator maintenance agreement
- 6) Any other contract pertaining to insured’s business, assuming tort liability of another to pay a third party

*Sample CC Question 2:* The Workers Compensation and Employers Liability Policy is composed of three coverages. Name each coverage and briefly describe the purpose of each coverage.

*Sample Answer 2:*

- 1) Workers Compensation--Provides coverage for workers compensation benefits to employees as required by state law.
- 2) Employers Liability---Provides coverage for liability other than state mandated benefits arising out of an employee's work-related injuries.
- 3) Other States Coverage ---Provides temporary automatic workers compensation coverage for new operations in other states, plus coverage for incidental exposures in other states. The states to be included must be listed in Item 3C on the Workers Compensation Declarations page.

## **CIC – Personal Lines Institute**

### **Personal Residential coverages (Eight hours)**

The majority of this section will focus on the Homeowners 3---Special Form (HO 00 03), but we will also look at the HO-2, the HO-4 for apartment dwellers, the HO-6 for condo unit-owners, other condo-related issues, and Dwelling forms. If you have to budget your preparation time, the HO-3 would be the best form to concentrate on.

We'll also look at a number of endorsements, such as permitted Incidental Occupancies (HO 04 42), Structures Rented to Others (HO 04 40), Increased Limits on Business Property (HO 04 12), Scheduled Personal Property (HO 04 61), Special personal Property Coverage (HO 00 15), Personal Property.

Replacement Cost (HO 04 90), Ordinance or Law---Increased Amount of Insurance (HO 04 77), Business Pursuits (HO 24 71), Watercraft (HO 24 75); Unit-Owners Rental to Others (HO 17 33), and the Home Day Care endorsements (HO 04 96 and HO 04 97).

### **Personal Automobile coverages (Five hours)**

The main focus in this topic will be the ISO Personal Auto Policy (PP 00 01), which we will go over in great detail. We will also review a number of endorsements, such as Joint Ownership coverage (PP 03 34), Named Non-owner coverage (PP 03 22), Extended Non-owned coverage for Named Individual (PP 03 06), and Miscellaneous Type Vehicle endorsement (PP 03 23).

### **Related Vehicle and Trailer coverages (One hour)**

This topic focuses on coverage for motor homes, motorcycle, mopeds, golf carts, ATVs, trailers and other vehicles. Since some coverage is found in the Personal Auto Policy (PAP), some in the homeowner's policy, and some must be purchased separately, we've broken this out as a separate topic.

### **Personal Umbrella/Excess coverages (2 hours)**

Like the Commercial Umbrella section of the Commercial Casualty institute, this topic deals with nonstandard forms. There is not one dominant version of the personal umbrella policy that you can study closely, but you would benefit by reviewing any sample policies you have access to. Some of the issues dealt with in this topic will include:

- Umbrella coverage vs. excess liability
- Umbrella "drop down" provision
- Self-insured retention (SIR)
- Underlying coverage issues (e.g., concurrency, adequacy of limits)

## Optional Topics

The remaining two hours of the Personal Lines Institute will be made up of one of several available optional topics, such as:

- Watercraft
- Flood
- JUAs
- Personal Lines Case Study

### Sample Personal Lines Exam Questions:

*Sample PL Question 1:* A stranger slips and falls on a cemetery burial plot owned by the Johns family. The stranger is injured and is making a bodily injury claim against the Johns. How will the Johns' Homeowners 3 Special Form respond to this claim?

*Sample Answer 1:* The Johns' Homeowners Policy will respond on the Johns' behalf. A cemetery plot is an insured location, and liability claims arising from insured locations are covered.

*Sample PL Question 2:* Tom collides with another car while using his car as a taxicab on the weekend to make some extra money. Is there any coverage under the Personal Auto Policy that Tom has on his car for the claims of property damage to the other car and bodily injury to its driver?

*Sample Answer 2:* There is no coverage. The Personal Auto Policy excludes use of an auto as a public or livery conveyance.

## **CIC – Life & Health Institute**

If you are not involved in life and health insurance, don't be intimidated by this institute. The CIC program is designed primarily for property-casualty agents, and we recognize that many participants will have little or no involvement in life and health insurance. For this reason, this course is a little less advanced than the three property-casualty coverage parts with the first eight hours of the course focusing on the essentials of life and health.

We've also tried to facilitate your preparation by developing a document called *Get Acquainted with Life & Health insurance*. The best way to prepare for this institute is to thoroughly study this document. Contact the PIA office for your copy.

### **Essentials of Life Insurance (Four hours)**

### **Essentials of Health, Disability Income, and Group Insurance (Four hours)**

The subject matter of the first two topics in the LH institute is basically what the titles imply. The first eight hours will focus on terms and concepts of life and health insurance, including the major types of life insurance policies, standard provisions found in life and health policies, available riders, principles of disability insurance, and group health insurance. Studying *Get Acquainted with Life & Health* will be a great way to prepare for these topics and the entire course. Also, it would not hurt to review some sample policies, such as your own.

### **Applications of Life and Health Insurance to Personal Needs (Two hours)**

This topic will focus on how to use life and health products to satisfy personal insurance needs. Some of the concepts covered will include the Human Life Value Concept and the Income Needs Analysis methods of determining the amount of life insurance needed, using the correct type of life insurance for different client needs, and applying health and disability products to individual needs.

### **Applications of Life and Health Insurance to Business Needs (Four hours)**

This topic will focus on business uses of life and health products, including key man insurance, buy-sell agreements, split dollar plans, deferred compensation, and executive bonus plans.

### **Annuities (Two hours)**

This topic will focus on the different types of annuities, their important features, and benefits.

### **Optional Topics**

The remaining four hours of the LH institute will be made up of two two-hour topics, such as:

- Medicare, Medicare Supplement, and Long-Term Care Insurance

- Financial Planning
- Estate Planning
- Retirement Planning
- Organizational Structure and Marketing Techniques for Life & Health Insurance

### **Sample Life & Health Exam Questions:**

*Sample LH Question 1:* The following policy provisions are commonly found in most major medical insurance policies: (a) co-payment clause (b) deductible. Describe each provision and explain its purpose.

*Sample Answer 1:*

(a) The co-payment clause requires that the insured pay a portion of each dollar loss after the deductible has been exceeded. This feature may or may not have a limit per period or per illness.

Purpose – to control the use of medical facilities and to reduce rates.

(b) A deductible is an amount of money paid by the insured. It must be satisfied before the insurance contract responds.

Purpose – the deductible eliminates the small claim and avoids high processing costs relative to the insurance benefit.

*Sample LH Question 2:* One of the special provisions found in most whole life policies is the reinstatement provision. Explain the reinstatement provision and list the requirements needed to reinstate a policy.

*Sample Answer 2:* After expiration of the grace period (usually for 3-5 additional years) the insured may request the reinstatement of the contract. Requirements include proof of insurability, payment of all back premiums, interest, and policy loans.

## **CIC – Agency Management Institute**

This is probably the hardest institute to prepare for in advance, because it is predominantly conceptual and procedural in nature, and most of the topics are somewhat subjective. On the other hand, it is probably the one that requires the least prior knowledge.

The best preparation is probably to have a good understanding of various agency management related topics without being locked into your agency's way of performing each function. You'll be able to follow the presentation and assimilate the information better if you have some basic knowledge, but you may have to answer some exam questions based on how an instructor says a particular function ought to be performed, rather than how you do it in your office. In other words, you would be well prepared if you have a combination of knowledge and flexibility.

### **Elements of Agency Development (Two hours)**

This topic will begin every Agency Management institute. It includes the fundamentals of long-range and short-range agency planning, including the steps involved in the planning process, the major areas in an agency that should be analyzed when establishing an agency plan, and the steps involved in either starting an agency or opening a new location.

### **Agency Marketing (Two hours)**

This section focuses on both traditional and non-traditional company markets, the elements of typical agency-company contract, the tools to evaluate an insurance company, and methods of promoting both internal and external agency growth.

### **Human Resources (Four hours)**

This topic provides an overview of the process of managing personnel, including legal guidelines, establishing job descriptions, interviewing techniques, performance appraisals and termination procedures. We'll also examine sources of employment practices liability exposures and analyze an Employment Practices Liability Insurance (EPLI) policy to determine coverage typically provided.

### **Agency Operations (Four hours)**

In this topic we'll focus on how to manage internal agency processes and the importance of having written procedures. We'll also look at transactional filing systems, sources of incoming information and how to best to distribute that information, how to use reports from an agency management system, and what e-commerce opportunities are available and how to use them.

### **Financial Analysis (Two hours)**

This section focuses on the financial aspect of an insurance agency and how it affects all agency employees. Subjects include cash flow, income statements, balance sheets, financial ratios, accounts receivable, and collections.

The best preparation for this topic would be a basic understanding of accounting.

### **Client Retention and Services (Two hours)**

This topic focuses on client expectations and service, why customers stay and why they leave, and how to retain clients.

### **Legal and Ethical Responsibilities (Four hours)**

This topic ends every Agency Management institute. Subjects include the difference between ethical responsibilities and legal responsibilities; the legal relationship of the agent to both the company and the client; the different types of agency authority (*express, implied, and apparent*) and the resulting liability; the leading causes of error and omission claims made against agents and the risk control methods that can be implemented to reduce or prevent them; the coverages in an Agent's Errors and Omissions (E&O) policy that should be compared when selecting a policy.

Attendance at an E&O loss prevention seminar would be good preparation for this topic.

### **Sample Agency Management Exam Questions:**

*Sample AM Question 1:* An agency's goals, whether short-term or long-term, should have certain characteristics. List and discuss these characteristics.

*Sample Answer 1:*

- 1) Mutually consistent. Each goal should parallel or succeed every other goal. Goals should not be in conflict. This is sometimes called "goal congruence."
- 2) Known and supported. Goals must be communicated to everyone in the organization through meetings, notices, and visual communications. Everyone in the organization must be involved in the achievement.
- 3) Specific. The goals must not be general or vague.
- 4) Measurable. Goals must be quantified so as to measure progress and success.

*Sample AM Question 2:* Agent Best placed a package policy with the Fire & Casualty Company. Subsequently, Agent Best's client suffered a large fire loss covered by the policy. However, because of financial difficulties Fire & Casualty could not pay the claim. Discuss the question of the possible liability of the agent in this case.

*Sample Answer 2:* One of the agents' legal responsibilities to clients is the duty to place insurance with financially sound insurers. Placing coverage with a financially troubled insurer could be considered a breach of duty for which the agent could be held legally liable.

If Agent Best knew or reasonably should have known of financial difficulties when coverage was placed, Agent Best could be liable. Financial difficulty that arises subsequent to placement does not impose liability if the company was solvent (to the best of the agent's knowledge) at the time of placement.