

# Competition Scenario

## Federated Insurance Petro Shield

### *Who is Federated Insurance?*

Federated Mutual Insurance Company is predominantly a commercial insurer. We are located in Owatonna, MN and 120 years old. We began as a group of farm equipment dealers in Minnesota who formed their own insurance company. Over the years we have grown from working with just Farm Equipment Dealers in Minnesota to working with 12 types of business in the contiguous 48 states. We work closely with local, state and national trade associations and buying groups, seeking their recommendation of us to their members. Currently we are recommended by over 400 of these groups nationwide.

At Federated Insurance, we utilize a direct sales force. Our sales people are called Marketing Representatives. We have approximately 550 across the nation. The Marketing Representative (MR) is assigned a territory in which all the business in that territory is his/hers to take care of. We give them extensive training as this is not an entry level sales position. They are licensed insurance professionals. Depending upon their prior sales experience, they often spend a minimum of 9 months training in our home office in Owatonna, MN before being assigned to a territory. Don't worry! For the purpose of this sales scenario, the information contained in this document and on-line will give you everything you need to complete the sales calls in the scenario.

### *About Convenience Stores*

A Convenience Store is a relatively high-risk business that requires a lot of expertise and knowledge by the agent to properly handle their insurance needs. Quite often a Convenience Store relies on the services of a local independent agent who shops at their store and buys gas from them. They feel obligated to buy locally because they don't want to jeopardize the income they make from those sales to that agent. They may also see the agent at church or on the golf course. The agent may even be a friend that the owner socializes with. Unfortunately, the local agent quite often does not have access to nor possess the knowledge of how to properly program the necessary insurance products required to adequately insure some of the unique exposures a convenience store presents.

A convenience store's insurance policies are placed in what is called a "Commercial Insurance Package." The package is an annual contract that comes due once a year. It is quite expensive and is often the 3<sup>rd</sup> largest expense a convenience store has, just after labor and inventory. This is the time, usually a month or two before the renewal date for their current policies, when the Owner or Company Controller decides if they are going to look at quoting their package out for the coming year, and what companies they will take a look at. We often work closely with the Controller to put the details of the package together. The goal is to have the opportunity to present the final proposal to the Convenience Store Owner, as they are usually the ultimate decision maker due to the importance and cost.

### *What Insurance Does A Convenience Store Have?*

All Convenience Stores have a Commercial Insurance Package already. Their bank and the state they reside in will not let them operate without showing financial responsibility (insurance). Just like a

car that can be customized, the commercial insurance package can be customized for the Convenience Store as well. Specific coverages can be added, removed, or modified for a price. For your background info, here is a summary of what the Commercial Insurance Package they currently have includes.

For purposes of this sales scenario we will assume that the basic package they have now is inadequate. The items you will be selling are enhancements to these products; there is no need to study this part in detail. It is meant to merely give you some background.

The Commercial Insurance Package includes:

- Coverage for their building, canopies, pumps (known as dispensers) fuel, tanks, equipment, coolers, computers, registers, and shelving.
- Sometimes there is a small or limited amount of coverage for loss of business income to help them while they are rebuilding after a disaster. Causes of loss can include anything from fire, tornado, wind, theft, vandalism, etc.
- There is coverage for the Convenience Store's inventory that is for sale including spoilage.
- There is also a liability element that coverage is provided for. Customers can slip and fall in on the premises or someone can get sick from food they purchase.
- They have workers compensation coverage for their own employees who may get injured or even killed on the job, while working at the Convenience Store. A lot of small injuries are common, and unfortunately, we occasionally experience a tragic accident. Workers compensation pays the employee's medical bills, time off, and in the case of death, a settlement to their families.

Consider that they already possess all of the above coverages in their insurance package.

### ***Additional Coverages You will be Selling***

These are the coverages we will concentrate on selling. More details including examples of claims, and how our competitors and us cover or don't cover them, are available on the sales contest website:

- **Data Compromise:** Convenience stores gather a lot of confidential and financially sensitive customer information through the use of credit cards. The information, which resides on their computer system, could be compromised by either an outside person(s) or an employee. Use of credit card skimmers placed on the pump credit card readers have been responsible for major data breaches and stolen credit card info. When an owner suspects the information may have been compromised they are required by law to notify the affected individuals, to monitor their credit for a year, and to assist in restoring the customer's credit ratings if necessary. They may also may be sued by the aggrieved parties and require assistance with defense and settlement cost.
- **Pollution Cleanup & Liability:** Many convenience stores sell gasoline. Spills often happen, autos run into dispensers and cause huge spills, or motorists can pull away from the pumps with the hose still in the vehicle causing spills. The fuel can run off the premises and onto neighboring properties as well. Besides the obvious fire hazard, this can also cause a serious pollution and contamination issue as the fuel soaks into the ground or runs into neighboring streams and enters water systems. Pollution cleanup can be very costly and is usually directed by the State Department of Natural Resources or the EPA.
- **Liquor Liability:** Many convenience stores sell beer, some sell wine and liquor as well, depending on local laws. It is assumed a minor will attempt to purchase liquor. It is the convenience store owner's responsibility to prevent minors from acquiring alcohol. It is

also their responsibility in many States to protect patrons who are already intoxicated from being “over served” with alcohol. A serious alcohol induced accident with injuries or deaths can result in large lawsuits brought by the injured parties.

- **Employment Related Practices Liability (ERPL):** Convenience stores often have several part-time employees. It is a low paying job, and can have odd hours and often require them to work them alone. Thus, there is often a lot of turnover with the part-time employees. The level of quality of education and background of employee can vary significantly. The opportunity to steal is high. They may also be tempted to work under the influence of drugs or alcohol. Employees have been known to sexually harass or humiliate other employees and customers. This can often lead to lawsuits charging the employer with discrimination, harassment, or wrongful termination. Federated can defend those actions. As a preventative measure we also provide Human Resource Services and Employment Advice from Attorneys for potential issues that may arise; through our online Federated Employment Practices Network.

### ***Customer: Fast Gas Convenience Stores***

Alex Smith is the Owner of Fast Gas Convenience Stores. His grandfather, Dan “Big D” Smith started the business in 1947 when he came home after the war, in his home town. The town was small back then, but has since grown to almost 50,000 people. He was a BP Convenience Store. Alex’s dad, Dale, took over the business in 1969 and ran it for 38 years, adding four more stores before retiring in early 2007, when Alex took over.

It couldn’t have happened at a worse time. Gas had just reached its highest price ever at over \$4 a gallon in 2010. The Great Recession hit them hard, and BP was going through some very rough times with the Alaskan Oil Pipeline Spill in 2006 and the Deepwater Horizon Spill in 2010. They didn’t know if they would be able keep the Convenience Store open or even have gas to sell. After searching hard, they were able to secure a Mobile Franchise which has been the Franchise which saved their five Convenience Stores.

When the COVID Epidemic hit in 2020 business slowed down again, almost causing them to close the business. Since then, the business recovered, the economy is getting better and the public is driving once again and shopping more in the stores. Sales are up in both gas and retail sales and the company is now once again on solid financial footing.

Having been through tough times more than once, Alex is cautious about spending unnecessary dollars and has developed a keen sense for controlling expenses.

Morgan Money is the Controller for Alex Smith at Fast Gas Convenience Stores. Morgan is good at watching the company finances. Alex brought Morgan in for the expertise Fast Gas needed during the darkest days of the COVID epidemic. Morgan’s mission was to help put Fast Gas back on solid financial ground. Morgan is smart, fair, and is willing to invest in something if it makes good financial sense for the company.

Morgan usually reviews the insurance package and makes the decision as to whether or not they will be taking the time to quote the Commercial Insurance Package this year. Morgan does not make the final decision. Alex Smith does.

### ***What happened in you meeting with the Controller:***

Morgan seemed reluctant to meet with you at first, but when you explained that you specialize in Convenience Stores, and mentioned that you already insure several stores in the area, you got Morgan’s attention. Of course, you had done your homework and secured the referral, so you made sure to mention the C-store Company in particular, where their Controller just happened to be Morgan’s former college roommate. Morgan agreed to a meeting with you to explore whether or not your companies would be of mutual interest to each other.

In your meeting, Morgan also informed you that they are presently with MBFF Insurance Agency. They’ve been with them for a long time and that their agent is local. MBFF has them placed with Re-Lee Cheep Insurance Company. The commercial insurance package renewal comes due in two months.

Morgan is allowing you to put together an insurance quote for Fast Gas Convenience Stores and secured an appointment to come back and present your quote to the owner, Alex Smith. Morgan mentioned that Alex is very happy with their present insurance company and their agent. Morgan also mentioned they haven’t had any major insurance claims in several years.

### ***Your Meeting with Decision Maker***

It is one month later. You now have your quote and an appointment with Alex Smith. You were informed that you have 12 minutes to present your proposal to the decision maker. Use the information you learned during the meeting with Morgan to help you in presenting your proposal.

Your goal to obtain an agreement from the decision maker to switch Fast Gas's Commercial Insurance Package to Federated Insurance on the first of this next month.

### **Pricing**

Information can be found in a document on line. We will assume that your price for the Commercial Insurance Package will be \$50,000 which is close to what they are paying right now. The price of the coverages you are selling them are in addition to the \$50,000 base price of the package. Those prices are on the document on the sales contest web page. Be prepared to negotiate according to the pricing and guidelines given.  
Good luck!