

Chairman's Corner

by Richard C. Lambert, CPCU, ARM, AIM, ARP



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Hi all y'all. As we get ready to go to Nashville for the Annual Meeting and Seminars, I had to start this off in the proper fashion! This will be the newsletter edition that will be available for all the new designees and other meeting attendees to pick up when they visit the Sections Booth in Nashville.

I have to apologize for the delay in getting out this newsletter. **Chris O'Donnell, CPCU**, our newsletter editor, had all the articles lined up and has been waiting for me to complete my Chairman's Corner. I actually have a good excuse for the delay and that is the theme of my article.

When I took over as chairman of the Agent & Broker Section, I was on the agency side, working for Early, Cassidy & Schilling, Inc. in Rockville, MD. I would still be there, as they are really a first-class agency, but I was given the opportunity to be part of a start-up operation for a major broker in Nashville, TN. It, unfortunately, pulled the plug on that deal, and I wound up going back to the carrier side here in Phoenix. Ultimately, I have found my way back to the underwriting discipline, which is where I started way too many years ago.

What is my point of giving you some of my background? As the underwriting director here for CNA, I am accountable for making sure we achieve our plans, no matter what it takes to get the job done. In mid-June, I lost one of my underwriters to a leave of absence. With the July 1's approaching at light speed, someone had to make sure we satisfied our customers. And now you know why this article is late!!! Guess who handled some front-line desk underwriting for the first time in a very long time!? When I first saw this

coming, I wondered what we could do to get through this staffing shortage during a critical time. Without too much delay, and no real choice in the matter, I had to handle files and make front-line decisions as to the pricing and the handling of the accounts. Was I still capable of that level of detail??? Fortunately, it didn't take me too long to get back in the saddle, although I am not sure I have gotten all the details done yet.

What I have found, now that I have the 7/1's behind me, and not having lost one of the risks that fell to my desk, is that my "old school" ideas of account handling still seem to work. Now, it wasn't like the old applications on a napkin concept, but the idea of relationship underwriting,

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Chairman's Corner

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combined with what is best for the client were still very much in play. My agency background was a true benefit. Identifying the critical needs of the client and making sure everyone knew what our company's needs were so that we could achieve a win-win result were critical to the success we achieved. Being absolutely upfront on the issues and communicating timely and quickly were a big part too.

I have come away from my ongoing desk underwriting experience here with the absolute conviction that this remains a people business and that those who can develop the best relationships are going to have the most success in what they do. As always, trust plays another huge role. If the people you are dealing with have faith and trust in you, you have a big leg up on your competition. Never, never abuse that trust and you will assure yourself of

a great reputation and a following no matter where your path may lead.

I have to admit I have had a lot of fun getting back in the trenches and "fighting" over the accounts I wanted to write or retain. The competitive juices have really been flowing. On the other hand, no one has given me a bye on the other duties I am supposed to be doing, so I sure hope we get back to our staffing compliment quickly. One thing I will continue to do, however, is to teach and coach the underwriters about the critical nature of relationships and their importance to their personal success. I think I always knew it, always tried to apply it, but this refresher course I am going through has just reinforced its importance. Having worked on the agency side for those years didn't hurt either. I would like to thank Tim

Schilling, CPCU, and Andy Cassidy for giving me the opportunity to work with them and to learn all I did while I was at their agency.

I would like to end this article by thanking **Chris O'Donnell, CPCU**, for five years of solid effort as our newsletter editor. Chris has recently been chosen as a section governor for a three-year term. His new role is taking him from the section and his new duties will not allow him to continue as editor. We appreciate all of the effort Chris has given on raising the bar on this newsletter. He will be missed. Thanks, Chris!!!!

See y'all in Nashville!!! ■

Don't Miss these 2006 Annual Meeting Seminars Presented by the Agent & Broker Section

Will You Be a Survivor?

Impact of a Catastrophe on an Insurance Agency

Tuesday, September 12 • 8 – 10 a.m.

How long can you tread water? And if your agency were hit with a Katrina-like storm or other type of major catastrophe, would it survive? This seminar will cover the impact of a catastrophe on an agency. Presenters will discuss the importance of planning for a catastrophe, and the "how to" involved. Topics will focus on sales and marketing issues, and will include pre-loss emergency preparedness, recovery efforts, and post-loss interaction with clients and insurance carriers. This seminar will provide valuable information for agents and brokers, and for insurance company personnel who interface with their producers.

Moderator: David P. Thomas, CPCU, American Institute for CPCU

Presenter: John A. Edgar, Marsh USA Inc.

Additional presenters to be announced.

Visit www.cpcusociety.org for updated speaker information.

Insurance Storm Stories

Tuesday, September 12 • 10:15 a.m. – 12:15 p.m.

This informative seminar builds on the earlier "agency survival" program, identifying pre- and post-loss activities an agency can undertake to prepare for and recover from a catastrophe. It will then focus on a number of the most important coverage issues that surfaced after the last two hurricane seasons, pointing out coverage gaps in standard policies, and where available, provide coverage solutions.

Presenter: David A. Thompson, CPCU
Florida Association of Insurance Agents

Register for the 2006 Annual Meeting and Seminars today at www.cpcusociety.org!

Editor's Corner: Thank Goodness for this Career

by Manus C. O'Donnell, CPCU, ARM, AMIM



■ **Manus C. O'Donnell, CPCU, ARM, AMIM,** is an administrative vice president of M&T Bank, and is the director of corporate insurance and risk for M&T, which is estimated to currently be the eighteenth largest commercial bank in the United States. He remains affiliated with M&T's property and casualty insurance subsidiary M&T Insurance Agency, Inc.

This is written as I sit in Dulles upon returning from London after meeting with my employer's Lloyd's of London underwriters and brokers (Marsh) for our annual business review. This year I introduced our company's new CFO to the London team for our annual business review and I had a few thoughts to share with our readership.

Those of you who know me also know that I have traveled more than a few times this year, all for business.

On one of those trips, to Tucson in March, one of my hosts from Premier Lease & Loan (Great American) commented at an evening reception that he thought that evening represented an

"aha" moment. He realized that his career resulted in his being there in Arizona, on a beautiful desert evening, enjoying good company and fun events with friends and colleagues merely due to his employment.

He expressed his appreciation to God and his employer for his career and the many wonderful places it took him to mingle with many good people. He offered a heartfelt expression of his appreciation to his employer and his customers for granting him these opportunities.

I have been thinking about his comments ever since, including the Phoenix mid-year CPCU Society meetings and a few other trips that I have enjoyed while representing the interests of my employer. I too am thankful!

My travels this year, in addition to Arizona twice, have included two to California, ABA Risk Management meetings in Palm Desert in January and PIAS in San Francisco in time for the 100th anniversary celebration of the "Great Quake" of 1906. That trip was the result of an invitation by past CPCU Society president **Roger L. Smith, CPCU**, for me to again speak on the topic of insurance and banks with Japanese insurance agents in town for the IEA-sponsored PIAS.

Also included on that trip was a tour of Thoits Agency in Mountain View. **Dean L. Middour, CPCU**, is president and COO of Thoits and is a current governor and past member of the Agent & Broker Section Committee. Great shop! Great trip!

Also, best of luck to Roger in his just-announced retirement from IEA. This was announced at the inception of the event.

I have also been to Washington, DC, this year in time for the Japanese Cherry Festival, which coincided with the Ex-Im Bank annual broker and customer meetings in April. In fact, I used digital photos of the beautiful blossoms for my

use in the PIAS seminars that I presented to show to our Japanese guests as a slide presentation.

While in Phoenix for the mid-year meetings, I was able to begin the learning process to hopefully be an effective sections governor, the position for which I have been nominated. I must admit to also slipping out while in Arizona for some golf with fellow CPCUs, names withheld to protect the "innocent." That field trip aside, this year's mid-year meetings refreshed my appreciation for the excellent NLI program that the Society presents at the Leadership Summit, Annual Meeting, and on the road through the chapters.

I invite you to attend yourselves and to assist your chapters in sponsoring local NLI events. The one recently held in Buffalo, my home chapter, was a great success.

On another topic, once ballots are returned, your editor will accept a three-year term in a governor's role in Nashville. I have committed to continuing my editing role for the time being; however, the Agent & Broker Section is searching for additional volunteers, so please feel free to make your interest known!

That new role, with the continued support of my employer for time and expenses, will allow me to continue a meandering travel path.

I hope to see many of you in Nashville. ■

Demystifying Marketing or What Makes It Work?

by John R. Graham

■ **John R. Graham** is president of Graham Communications, a marketing services and sales consulting firm. He is the author of *The New Magnet Marketing* and *Break the Rules Selling*, writes for a variety of business publications, and speaks on business, marketing, and sales topics for company and association meetings. He is the winner of an APEX Grand Award in writing, and the only two-time recipient of the Door & Hardware Institute's Ryan Award in Business Writing. He can be contacted at 40 Oval Road, Quincy, MA 02170; phone (617) 328-0069; fax (617) 471-1504; or e-mail j_graham@grahamcomm.com. The company's web site is www.grahamcomm.com.

A company is lucky if there's someone around who's not afraid to poke holes in its "latest and greatest" ideas and initiatives. Of course, most organizations either sideline or dismiss these bothersome skeptics as lousy "team players" who don't fit into the corporate culture.

Bruce McLain was one of these people. At public relations planning meetings, everyone waited for McLain to weigh in with his often clever and always incisive comments. McLain's most memorable contributions always came toward the end of a meeting, when he brought everyone crashing down from the lofty heights of enthusiasm with his question, "Who's going to make the coffee?"

McLain knew that success is in the details, not in the grandiose ideas. If it isn't clear who's going to do what to whom and when, all the talk is irrelevant and the program will fail. It isn't necessary to look very far for examples:

- A major-market TV station scheduled a free event for fans to meet one of the actors in a national TV show aimed at teenagers. Even with great PR, only a handful of people showed up. No one thought that holding the promo in a bar might not be an appropriate place for kids.
- Then there's the Solstice, the sleek, two-seater sports car from Pontiac that weighs in at \$20k. Both the design and the price get rave reviews, but experts question whether it will make the hearts of the young and the would-be young go pitter-pat. "Like the other GM sports cars, it comes to market a tad underpowered," writes one auto reviewer. "It feels rather tepid under normal driving. . . ." With the Miata from Mazda as the model, why wouldn't GM give it its all? Just the words "underpowered" and "tepid" are enough to drive would-be Solstice admirers to a Miata.

These marketing missteps could have been avoided by having a Bruce McLain, who would have asked, "Who's going to make the coffee? Have we asked all of the right questions or are we thinking more about ourselves than we are of our customers?"

For some in the field, keeping marketing mysterious may be deliberately self-serving, particularly when it comes to control.

At the same time, demystifying marketing and recognizing what works and what doesn't is rather easy if you follow six basic principles:

1. **Always make it a program.** Simply put, nothing should be done that isn't a part of a program. The moment someone says that the company needs to run an ad, send out a postal card, hold an event or exhibit at a trade show, ask why.

Marketing activities generally fail because they are not integrated

into a tapestry of activities. A good example is a prospecting program. "What's the plan?" is the key question. Perhaps it includes a series of direct mail pieces, a periodic newsletter, invitations to seminars, or a demonstration event, the right advertising, and carefully planned follow-up contacts. There is no mystery why marketing works, but it takes a plan and a program.

Isolated activities are frequently ineffective, but when there is a program with several related elements, the chances of making a significant impact increase dramatically.

2. **Focus on the customer.** It shouldn't be necessary to mention the need to let the customer direct a company's marketing. Nevertheless, most ads, brochures, TV spots, radio commercials, direct mail campaigns, and press releases are painfully self-serving. What a company wants to say or sell takes precedence over what the customer wants to know.

It's easy for companies to fall victim to the "Beagle Syndrome." They are so focused on what interests them, they dash forward with their noses to the ground without regard to oncoming cars.

For example, businesses often make offers that fail to motivate customers. Online marketers quickly learned the value of offering "free shipping." That was a tipping point for customers. If the price was right, free shipping helped get the order. The same is true of Internet service; whether at a coffee shop, an airport, or a hotel, why pay for it when somewhere it's available free?

After years of piling on "cash incentives," auto manufacturers called a halt when they lowered sticker prices. But when gasoline hit \$3 a gallon, they hauled out

a new round of bigger-than-ever discounts. At the same time, Toyota drew upon its perceived value and quality strategy to attract buyers, a good example of a customer-focused approach, rather than one that's nothing more than an inventory reduction tactic.

- 3. Make consistency the mission.** The red flag in marketing programs is a lack of consistency. There's always great enthusiasm for publishing a newsletter, holding seminars, developing a prospect database, advertising campaigns, direct mail, and all the rest, but there's no follow through; no one is around to make the coffee.

When you get to the core of marketing, the objective is to raise a company's visibility in ways that produce a positive emotional response from customers and prospects.

If you recall how many times you tell your kids to clean up their rooms, to put on their coats when they go out to play, and to be sure to be home on time, you understand the marketing task. It's all about telling the same story over and over again in new and different ways to get attention.

Although Oscar Wilde held that "Consistency is the last refuge of the unimaginative," it's not true for marketers. One company president asked a marketing executive when they could stop marketing. "About six months before you close the doors," came the reply. Consistency is the key that dispels the mystery of marketing.

- 4. Align with customer values.** Most businesses try to figure how to get customers to buy their products or services. While that seems logical, it is, of course, totally irrational. Just ask Barry and Eliot Tatelman of the remarkably successful Jordan's Furniture stores in Massachusetts.

They sell more furniture per square foot of space than anyone else in the nation. Investor Warren Buffet was so impressed he bought their company.

While Barry and Eliot are the "stars" of their own advertising, they devote much of their promotion to aligning themselves with customer values. For example, they have a longstanding relationship with the state's youth services division. When they heard about girls in foster care not having money to buy prom dresses, they dropped everything and bought radio time on eight Boston radio stations to urge listeners to donate dresses for these young women. On the way to record the radio spots, they contacted Anton's Cleaners, the region's largest drycleaner, to see if they would take the dresses, clean them, and then distribute them through their Bell of the Ball program.

And the dresses poured in! Barry and Eliot's message resonated with the public. That's an effective way to differentiate their business from all the other furniture dealers in eastern Massachusetts. Instead of telling listeners why they should go to Jordan's, they reached out and captured customers with a worthy idea. That's marketing demystified.

- 5. Raise the quality bar.** A mailing arrived from what is touted as one of the outstanding new golf courses in the nation with breathtaking views of Boston. But what came out of the envelope was anything but impressive. It was a "homemade" flyer produced on a poor-quality printer regarding the venue's new restaurant and meeting rooms.

Evidently, the management didn't feel it was important to produce a first-class promotional piece that could properly reflect the quality of the facility. By trying to cut corners,

it sent the wrong message. If you say you're first-class, then act first-class in the way you communicate with your constituency.

Marketing is about making the appropriate impression.

- 6. Tell stories.** Music videos sell as much for the excitement as they do the music. They grab attention and so do stories. Take business letters for example. How often do you hear someone say, "Keep letters short, no more than one page"? Don't believe it. The length of a letter is irrelevant. A dull, short letter isn't any more effective than a dull, long letter.

Stories get attention, whether in a letter, a newsletter, or in a speech because they capture interest and create excitement. Why don't insurance people talk about how the disability income policy that helped a single mother provide for her children when she was dying of cancer? Why don't bankers forget about everything else and tell about how a modest loan to a small business owner opened the way for increasing sales?

What draws so many of us back to Disney World so many times? It's what we talk about so much when we get home. We come back with wonderful stories.

Every business has wonderful, exciting stories, too. Unfortunately, they often get buried underneath stacks of meaningless, uninteresting, and dull words. The solution is to let the stories out.

The real mystery of marketing is why it's a mystery at all. Sticking with a few basic principles is all it takes to let it flourish. ■

Off Premises Utility Failure

by David A. Thompson, CPCU



■ **David A. Thompson, CPCU**, is with the Florida Association of Insurance Agents (FAIA) in Tallahassee, FL. He served seven years as a commissioned officer in the U.S. Army and U.S. Coast Guard. Thompson began his insurance career in an independent agency in Vero Beach, FL, where he was a licensed agent selling all types of insurance for more than 10 years. He taught insurance pre-licensing and continuing education classes at a local community college before joining FAIA in 1996. Thompson is a well-rounded instructor with a specialty in personal lines. His classes are upbeat and hands-on, so you can apply the information in real-life situations with customers.

Author's note: This article contains information from the Independent Insurance Agents and Brokers of America Virtual University as well as information from Edwards and Associates in Atlanta, Georgia, and is used with permission.

During Florida's active 2004 and 2005 hurricane seasons, hundreds (if not thousands) of business owners learned the hard way about the "off premises utility failure" exclusion found in most commercial policies. The typical scenario went like this:

A restaurant or retail shop sustained very minor storm damage, such as a broken window or a few roof tiles blown off. The damage was quickly repaired but the business was unable to open because of the lack of electrical power. Due to severe storm damage to the power infrastructure across the county it took 10 days to restore power to the business. The cause of the failure was away from the premises of the business. During that time food (or other perishable stock) spoiled and the business lost income due to the inability to open because of no power.

The business owner (and unfortunately at times the agent) may think that the perishable stock is covered under the "windstorm" peril. There is also the belief that the loss of business income is covered. Unfortunately, both assumptions are incorrect.

An exclusion in all three ISO causes of loss forms is:

B. Exclusions

1. We will not pay for loss or damage caused directly or indirectly by any of the following. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.



e. Utility Services

The failure of power or other utility service supplied to the described premises, however caused, if the failure occurs away from the described premises. Failure includes lack of sufficient capacity and reduction in supply.

But if the failure of power or other utility service results in a Covered Cause of Loss, we will pay for the loss or damage caused by that Covered Cause of Loss.

This exclusion does not apply to the Business Income coverage or to Extra Expense coverage. Instead, the Special Exclusion in Paragraph **B.4.a. (1)** applies to these coverages

Under the business income coverage form the exclusion is as follows:

4. Special Exclusions

The following provisions apply only to the specified Coverage Forms.

- a. Business Income (And Extra Expense) Coverage Form, Business Income (Without Extra Expense) Coverage Form, Or Extra Expense Coverage Form**

We will not pay for:

- (1) Any loss caused directly or indirectly by the failure of power or other utility service supplied to the described premises, however caused, if the failure occurs outside of a covered building. Failure includes lack of sufficient capacity and reduction in supply.

But if the failure of power or other utility service results in a Covered Cause of Loss, we will pay for the loss resulting from that Covered Cause of Loss.

How then is an agent to protect the business owner from such financial loss? Three endorsements are available, and should be carefully considered for all businesses:

- CP 04 17—Utility Services—Direct Damage
- CP 15 45—Utility Services—Time Element
- CP 04 40—Spoilage Coverage

The **CP 04 17** endorsement provides coverage as long as the cause of the interruption is a covered cause of loss. For example, direct damage due to power loss from windstorm in a hurricane (even if away from premises) would be covered. However, in the massive blackouts of 2003, there would be no coverage since the cause was ultimately determined to be “computer related.”

The **CP 15 45** endorsement provides limited coverage, but it has the same requirement as its direct damage cousin (CP 04 17)—the cause of the interruption must be due to a covered cause of loss, based on the Cause of Loss form attached. In addition, most Business Income policies have a 72-hour waiting period, so some losses are not covered, even with the endorsement. Options do exist to eliminate the 72-hour waiting period.

The **CP 04 40** could actually provide broader coverage than the Utility Services endorsement, for “perishable stock” losses caused by “complete or partial interruption of electrical power.” This endorsement does not require that the cause of the power interruption be one that is a covered cause of loss under one of the attached Cause of Loss forms, as is required in the Utility Services endorsement.

Where available, these endorsements should be recommended to commercial customers. When not available, it’s imperative that the lack of coverage be explained to the business owner with sufficient documentation. The off premises utility failure exclusion can cause significant financial impact on business owners. Insurance solutions do exist and should be recommended in all cases. ■

Understanding Financial Ratings for Captive Insurers

by Andrew J. Barile, CPCU



■ **Andrew J. Barile, CPCU**, is CEO of Andrew Barile Consulting Corporation, Inc. (www.abarileconsult.com). He has 40 years of captive experience, and is a strategic independent insurance consultant to owners of captive insurance companies. He serves on the boards of both domestic and offshore captives. In 1978, he co-founded the first publicly held Bermuda reinsurance company, permitting Bermuda on the map in insurance for Trenwith, ACE, and XL, etc.

The Rating Evaluation of Captive Insurance Companies includes:

- financial strength of the captive
- how profitable has the captive been
- market profile of the captive

In determining financial strength, rating organizations look at capital contributions, especially the initial capital contribution by the owner of the captive. They look at assessments or other forms of capital contributions, bank loans, and letters of credit for funding purposes.

Profitability of the captive plays another important role in the rating of the captive. Earnings flow from the underwriting profits of the captive. By selecting the correct asset manager, investment income on the initial capitalization and cash flow on premiums written contribute to the investment profitability. One should determine other sources of income, such as interest loans to affiliates of the parent corporation. Finally, the area giving most difficulties is determining dividend policy, as most corporate owners want to receive large dividends to substantiate the captive set up.

Finally, what kind of corporate profile is generated by the captive itself? Is it a workers comp captive for a residential contractor in California? is it a medical malpractice captive for a group of Florida doctors? Is it to write windstorm in New Orleans, including flood coverage?, etc.

Profiles go into distribution from the simple of captive to parent, or complex through the retailer, wholesaler, MGA, etc. All of these technical approaches require analysis, similar to that performed for the traditional insurance company.

Captive profiles have to be expanded into understanding the owners' business profile, as well. They should focus not only on the owners' financial resources, but on the owners' aspirations and three-year horizon, as well.

Some important characteristics include: Can the captive charge an "adequate" premium? Who determines whether they are saving insurance premium dollars in contrast to the commercial insurance market?

Financial rating organizations are looking at the long-term viability of the captive insurer. Is there some value added from risk management and loss control programs offered or mandated by the front company?

The financial rating organizations do review the domicile of the captive, and focus on the domiciliary laws and regulations, and the oversight provided.

There are substantial benefits to financial rating for a captive, whether it be to the parent corporation, to the front insurer, or to the reinsurance companies writing the excess of loss protection. In some cases, a good financial rating can help in the expansion of the captive to write other insurance and/or reinsurance; may reduce fronting costs; and, above all, may generate lower reinsurance costs.

The important concept is that captive insurance companies need to be looked at from an insurance industry perspective. The rating organizations bring a sense of discipline to the captive insurance company management process. The rating analysis will be helpful to all concerned with the captive's well-being. ■

When the Sales Mentality Meets the Buyer Mindset

by John R. Graham

It was a welcomed telephone call. “I just want to stop by, say hello, and let you know how much I appreciated your help back then.” Ten years had gone by since we had connected and I was looking forward to seeing this former business executive. A week or so later, he arrived on schedule. But from the start, I had an uneasy feeling this was something other than the “thanks for being there for me” get together he talked about on the phone.

It was. The other shoe dropped. The person sitting across from me was calling on his old contacts for a reason: he had something to sell.

Deception destroys credibility.

Then, there’s Jeff Bowers, CFP, vice president of Bowers Insurance, Hagerstown, MD, who initiated a policy review program for the agency’s personal insurance clients. He made it clear that this was a review only and there would be no attempt at selling. One of the first clients to participate said that it gave him an opportunity to ask questions and come away with a better understanding of his insurance policies.

Is this a sales approach? Yes. There’s open discussion because the customer isn’t being put on the defensive. If insurance program deficiencies are uncovered in the review, these are noted and followed up later.

The policy review is not a gimmick to make a sale. It’s a strategy to build a relationship with customers based on an open, helpful interaction. It recognizes there are no substitutes for trust and confidence when it comes to selling.

As the marketplace has become increasingly competitive, the “sales wizards” are coming out of the woodwork promising to transform poor, average, and good salespeople into superstars.

One sales training company will show those who enroll how to wrestle customers to the mat and put a gun to their heads. The sales manager of a large environmental company had a painting on his wall of a boxing match with one fighter getting pounded into the ropes. “That’s selling,” he said proudly.

Then there’s the current CRM or customer relationship management craze, the latest attempt to gain control over the sales process. While many are eager to do anything to remove “sales” from their business cards, isn’t it really naïve to believe that changing the words makes a difference?

The immense growth in Internet marketing should send a powerful message to every sales organization that it’s no longer business as usual. Customers want to make their own decisions and they don’t want to go through time-consuming and unpleasant experiences with salespeople.

What so many companies, sales managers, and salespeople don’t seem to understand is that a change in buyer mindset has rendered many of their sales efforts dysfunctional. It’s time to figure out that today’s customers have turned thumbs down on sales tricks, gimmicks, and manipulation.

Whether in the consumer marketplace or B2B, two forces are driving a change in the buyer mindset:

1. Buying cycles begin with information. Fewer and fewer buyers start the buying process by looking to salespeople for information. They may start by looking at a product web site, but they move on to reports, reviews, and comparisons. They’re also turning to blogs to find out the experience of those who have used the product or service.

2. Customers enter the buying phase knowing the price they are willing to pay. It can be called “the Wal-Mart syndrome.” Knowing what they want, they decide in advance what they will pay.

The news reports on how Wal-Mart’s “our way or no way” of dealing with suppliers isn’t lost on buyers. Armed with more information and empowered by the example of others, they take control of the buying process. It’s a strategy that says, “If you want our business, here’s what it takes. Take it or leave it.” There seem to be few second chances or loyalty.

This is the environment salespeople are operating in today, and anyone who thinks he or she can break down the barrier by attempting to close too quickly is headed for trouble.

So, how are salespeople to cope with the prevailing—and pervasive—buyer mindset? There are several possibilities. For example, just look for the “low-hanging fruit.” On any given day, there are those with needs. If you’re in the right place at the right time, you get the order. Every salesperson deserves to get lucky, but that’s no way to build a solid customer base.

While the current buyer mindset is pervasive and powerful, there are ways to overcome it. Here are a few:

1. Focus on the customer’s needs. Salespeople talk about understanding customer needs. Sales managers preach it. But experience suggests that most salespeople ignore it. They short-circuit the sales process, jump to the close, and kill sales.

The cable TV advertising salesperson asks a couple of questions and then e-mails an instant proposal that reflects no

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When the Sales Mentality Meets the Buyer Mindset

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strategy and ignores the customer's objectives. "We can get you on the air in April," he says in a follow-up phone call. His message is clear, although unspoken: "I want you to sign up now." A few days later, he calls again, "I just want you to know that the good spots are filling up for April."

Starting at the wrong end of the sales process ends in no sale. What salespeople seem to recognize is that what's happening is transparent to buyers who write off the salesperson and the presentation.

- 2. Stop talking.** Most of those in sales are really quite normal people and they do what normal people do, they talk about what they know best and what they know best is themselves and (sometimes) what they're selling. It's commonly called "the gift of gab" and it has no place in sales. In fact, it's the problem.

Why should a buyer sit there listening to someone's tired war stories? Buyers are normal people, too. They're interested in their situation, their problems, and their need to reduce costs. The salesperson's true gift is getting the customer to talk.

What's the first question many salespeople ask themselves (or whoever is with them) after meeting with a customer? It's always the same: "How did I do?" That's the wrong question. The correct question is quite different: "What did I learn?"

That's a polite way of saying, "Shut up."

- 3. Connect with knowledge.** Salespeople look for ways to connect with customers. Some talk about their kids, others look to sports for common ground. Top salespeople

use their knowledge to connect with customers. The best way to impress prospects is to let them discover that you really know what you're talking about.

A customer asked his company's audio-visual equipment supplier about a particular LCD projector. The salesperson listened carefully and then asked the customer a series of questions as to how the projector would be used. After hearing the answers, the salesperson indicated the limitations of the particular projector based on the answers and then made his recommendation. Because his case was convincing, the recommendation was accepted.

The value of knowledge in sales is that it conveys a sense of respect and regard for the customer. If customers aren't learning from a salesperson, they should get a different one.

- 4. Show enthusiasm.** A recent study by Civic Enterprises makes it clear that uninteresting classes are the major cause of high school students dropping out of school. Adults refuse to tolerate boring presenters, boring TV shows, boring speakers, and boring meetings. Why should students put up with boring teachers?

In the same way, why should customers be expected to endure boring salespeople who lack genuine enthusiasm for what they are doing? In fact, they come across as if they don't even believe in what they're selling. On the other hand, the real estate agent who gets prospective buyers excited before they see a property is actually building a positive buying environment.

Why is Tiger Woods such a compelling figure and quintessential salesperson for causes, products,

and services? The answer is clear: he comes across as genuine and competent, and exudes enthusiasm for what he does. Enthusiasm sends the message that salespeople care.

- 5. Stay the course.** Selling is a marathon activity, even though most salespeople like to think of themselves as sprinters. Unfortunately, they often sprint away from sales. They feel they should control the customer. If customers don't respond according to the salesperson's expectations, they abandon them—not just for the moment, but forever.

Everyone has had calls from the salesperson that has just replaced someone who has left. "I was looking over the files and see that Diane talked to you in 2003. Are you still interested?" When this happens to me, I'm surprised how many times I respond by saying, "I'm sorry, but we made that purchase a few months later from another company." The heart of sales today is managing leads and with the technology available there is no reason why the average salesperson can't handle an almost endless number of prospects effectively.

Going the distance is the test.

While writing this article, a meeting took place with a prospective client that brought the customer mindset message into focus. I asked why the business executive had contacted our firm.

"We called three agencies," he said. "The first one wanted to charge a fee, but didn't tell us what we would get for it. The next one wanted to know how much we expected to spend, and the third agency reeled off a lot of big-name clients that didn't make much sense. Then we called you. You acted as if you were interested in speaking with us."

It's really not so complicated after all. ■

The Daenzer Story: A Book Review

by Andrew J. Barile, CPCU

■ **Andrew J. Barile, CPCU**, is president and CEO of Andrew Barile Consulting Corporation, Inc. (www.abarileconsult.com). He first met Daenzer at the 1970 CPCU Society Annual Meeting and Seminars in Los Angeles, and later joined the Alexander Howden Group to start the Howden Reinsurance Corporation, in New York City.

The biography of **Bernard John Daenzer, CPCU**, written by Carolyn I. Furlong, CPCU, CLU, CEBS, CPIW, is a must-read for all insurance professionals, as this dedicated insurance industry personality over his long lifetime “would paint the insurance industry not as it was, but as it ought to be.”

As Furlong makes clear in *The Daenzer Story*, the book is written to cover the 100-year period from 1900 through December 31, 1999. Although Furlong is quick to point out “in early 2005, having just turned 89 years old, Daenzer was instrumental in founding an insurance agency, Angelfish Risk Management, owned and operated by several businessmen in Ocean Reef Club, Key Largo, Florida.”

The Daenzer Story is a detailed account of Daenzer’s insurance industry exploits, and all of the insurance executives he influenced along the way, and there were many. In 1947, Daenzer was the 88th person in the country to get a Chartered Property Casualty Underwriter designation. Daenzer was rightly considered a pioneer in the field of personal packages. *Rough Notes* magazine made Daenzer the authority for homeowners insurance.

Many of us referred to Daenzer as the “Father of the Surplus Lines Insurance Industry.” Furlong writes, by 1957, Daenzer found that there was no body of literature in the United States or England on the broad field of excess and surplus lines or Lloyd’s-type coverages. This led to his writing a series of articles for the *Weekly Underwriter*, about 400 over the years, in a biweekly column called Cover



■ **Bernard J. Daenzer, CPCU**, was recognized for attending 58 out of 61 CPCU Society Annual Meeting and Seminars during the 2005 Annual Meeting in Atlanta.

Notes. Booklets were made from the articles that later became the *Excess and Surplus Lines Manual* published by The Merritt Company. These publications included thousands of pages on several hundreds of topics peculiar to the business. “I made them required reading by all of us at Howden Reinsurance Corporation.”

In the field of risk management, Daenzer was also instrumental in “leading the way.” Daenzer and several other CPCUs were working on a professional designation for risk managers and came up with Associate in Risk Management. He wrote one of the textbooks for the ARM course, and a later one for RIMS on risk analysis of company locations.

On November 27, 1968, Daenzer was the first non-Briton to go through ROTA and to be elected a name at Lloyd’s. “This broadened membership base is good for both Lloyd’s and the insurance-buying public in general,” Daenzer noted, “because it helps to fill the need for a greater capacity in the world-wide insurance market.”

Daenzer, in 1978, was elected chairman of the Board of Trustees of The College of Insurance, the only fully accredited college and graduate school under the support of one industry.

Furlong does a great job in documenting the institutions that had touched

Daenzer’s life and have undergone changes, such as:

- The College of Insurance that Daenzer worked to support and promote over the years remains the prominent source of higher insurance education. It merged with St. John’s University and is now known as the School of Risk Management and Actuarial Service, a part of the Tobin College of Business, the New York City branch of St. John’s University.
- RLI Corporation of Peoria, Illinois continues to flourish.

Daenzer had an almost encyclopedic knowledge of how the insurance industry worked, but he did not stop there. As related in this story of his life, Daenzer responded to new types of risks by creating new coverages to protect policyholders and by carving out niche products to respond to the needs of industry.

This book should be read by all in the insurance industry, and set the example for the actions of future insurance leaders. ■

You can order *The Daenzer Story* at Amazon.com. Royalties from the sale of this book will be shared by the CPCU–Loman Education Foundation and the Insurance Scholarship Foundation of America—NAIW Education Foundation.

Richard A. Gerrond, CPCU, Memorial Award

by Richard C. Lambert, CPCU, ARM, AIM, ARP

Thanks to the efforts of the Agent & Broker Section, the CPCU-Loman Education Foundation, and all of the CPCU Society chapters and CPCU Society members who made this award possible. The first Richard A. Gerrond, CPCU, Memorial Award was presented on April 28, 2006, to **Richard G. Rudolph, Ph.D., CPCU**, of Seaver, Rudolph & Associates in Georgetown, Indiana. Rich has been involved with the National Leadership Institute for many years, both presenting courses as well as writing and preparing them for presentation.



■ Ann Gerrond

It was a fitting tribute to the NLI, the Loman Foundation, and to Rich Gerrond, CPCU, that the award was presented during the NLI Luncheon during the high point of this year's national Leadership Summit.

The presentation was witnessed by all of the national CPCU Society volunteers, the local chapter officers, and other NLI attendees. Ann Gerrond, Rich's widow, was able to fly in from Oklahoma City and be a part of this presentation. As I have been describing in this newsletter over the past year, this recognition award is presented to the individual

who embodied Rich Gerrond's spirit, dedication, and educational commitment to CPCU and, specifically, the NLI. Rich Gerrond passed away tragically in a sky diving accident early in 2005. We were very pleased Ann was able to attend. She put the whole award in perspective when she said . . . "This award and presentation would have humbled Rich and possibly left him speechless." For any of us who knew Rich, we wish he were still with us



■ From left: Roger W. Joyce, CPCU, chairman of the CPCU-Loman Education Foundation with Richard G. Rudolph, Ph.D., CPCU—the Richard A. Gerrond, CPCU, Memorial Award winner—and Ann Gerrond in Phoenix.

in order to witness that happening.

I would like to personally thank each and every person and organization that made a contribution to the CPCU-Loman Education Foundation in order to make this award possible. We really appreciate your help. ■

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