

## Chairman's Corner

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



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My last two columns have dealt with a couple of strong opinions I have held for a long time. I hope you enjoyed them. This column will be more informative about your section committee's activities since we have just returned from the CPCU Society's Annual Meeting and Seminars held this year in Nashville, Tennessee.

First, let me comment on the content of this year's Annual Meeting. I always find something about each meeting that impresses me, but I rarely comment on it. I can't resist this time. The two main speakers were Jerry Linenger, former NASA astronaut who was aboard the MIR Space Station when it caught fire in 1997, and Richard Picciotto, the highest-ranking firefighter to survive the collapse of the World Trade Center on September 11, 2001. Topping this off was the opening sung by Lee Greenwood—*God Bless the USA*. That in its own right was moving, but then we listened to the stories surrounding the main speakers and I can't even begin to share the emotion. Neither speaker would be what I would call a "polished" speaker. The stories they told, however, were filled with emotion and passion that would not have come across if they hadn't clearly spoken from the heart. When Richard Picciotto described the WTC coming down around him and his companions in that stairwell, he was shaking the podium to create the feeling in the room of a rumbling we can only imagine. To say the audience was moved during these talks would be understating it. You had to be there. I'm glad I was.

Prior to the start of the Annual Meeting itself, your section committee met to plan the next year's activities. I believe we are doing most of the right things to help you, but we are always open to thoughts, ideas, and your input. The first issue is one with which I need your help. We discussed in depth, our succession planning and committee membership going forward. Entering this term, we had no new member additions to our committee. Fortunately, at the Annual Meeting, we were able to recruit one new member. We are now up to 11 section committee members. Frankly, this is not

enough. We need volunteers to help us continue our work and to keep meeting your needs. Without the help, we may struggle to do all we would like to do for you. Please, consider volunteering for our section committee. As I told the attendees of our Agent & Broker Section Dinner on Monday, September 11, 2006, I have met some of my long-term friends and comrades at CPCU Society meetings. I can trace some of them back 20 to 25 years, and we still see each other at the Annual Meeting and Leadership Summit. Won't you please help us?

We had a very productive year in 2005–2006. Once again, we earned the gold level of the Circle of Excellence Recognition. Let me outline what we did to earn this:

- We exceeded the usual newsletter expectation by publishing five issues a year. We have now done this for the last two years, and hope to be able to continue this trend.

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- We developed a seminar for the 2005 Annual Meeting and Seminars, and also developed one and sponsored one for the 2006 meeting. We will propose a seminar in 2007 dealing with how an agency may need to adapt in the changing times of our industry.
- We sponsored and coordinated the first Richard A. Gerrond Memorial Award that was presented in April to an NLI instructor who embodied the spirit Rich Gerrond brought to his teaching.
- We continued and will continue to contact all the new designees the summer before they attend the AICPCU Conferment Ceremony to let them know what to expect and to give them an overview of what sections mean to the CPCU Society.
- We hosted our second annual Agent & Broker Section Dinner. This dinner is intended to give all agents and brokers in attendance at the Annual Meeting and Seminars an event to network with peers. Additionally, we had a

guest speaker for this year's dinner. We are now planning next year's dinner.

- We had committee members participate in Society functions like the Sections Booth and the New Designee Open House, representing our section and communicating with the other meeting attendees.
- Our Succession Planning Sub-Committee helped to perpetuate our need for a newsletter editor, since **Chris O'Donnell, CPCU**, has moved up to the Board of Governors, and a new web site liaison, since **Marianne Franken, CPCU**, could not continue in the role. **Ellen M. Clements, CPCU, CIC**, and **Alaric N. Brisee, CPCU, CIC**, have filled those two roles, respectively. For the 2007-2010 years, the subcommittee will be identifying a new chairman, since my term will expire in 2007.
- We had another subcommittee solicit information from CPCUs who are agents and brokers, but do not

belong to the section. We heard some good feedback that we will begin to incorporate into how we function. Please be on the lookout for an e-mail in the next two months that will be asking you some questions. The CPCU Society will send an e-mail to the Agent & Broker Section membership as a whole soliciting information, which we will discuss at our April 2007 meeting. Please give us your feedback!

That should give you a good idea of what we have done over the past year and what our plans are for 2006-2007. If you have any questions or want to communicate something to us, send me an e-mail to rick.lambert@cna.com.

I expect this should reach you around the holidays. Have a great holiday season and a great new year. 'Til next time. ■

## An Introduction to the New Editor: Ellen M. Clements, CPCU, ARM, CIC, CPIW



■ **Ellen M. Clements,  
CPCU, ARM, CIC, CPIW**

“**W**alk in His Shoes.” I, of course, refer to shoes that will not be easy to fill. **Manus “Chris” C. O’Donnell, CPCU, ARM, AMIM**, has done such a tremendous job of putting out a first-rate newsletter, *Agent & Broker Solutions*, that I will be hard-pressed to hit the bar he has raised so eloquently.

Chris has assumed his new responsibilities as governor, and I have volunteered to take on the role as editor for the next year, representing our Agent & Broker Section Committee.

I am **Ellen M. Clements, CPCU, ARM, CIC, CPIW**, senior vice president at Marsh (USA) Inc. I have just completed my fortieth year, yes folks it is true, in insurance. It is an industry that has been good to me, and I am grateful to my employer for giving me the opportunity

to participate at a national level with the CPCU Society. This opportunity started when Jim Britt, CPCU, our national president-elect, and managing director of Marsh, asked if I would be interested in applying for national service. I did, and have had a rewarding year.

My road to CPCU took a while. I started the program . . . years ago with the ARM designation, completing the CPCU program in 2000. My first message for everyone is to continue your education. Do not make it a chore, a reason to obtain CEU credits; make it a part of your behavior and your career. Spread the word. Encourage all of your associates to become a CPCU.

I am looking forward to the challenge of my role as editor, and wish Chris well as he moves forward as governor. ■

## What Makes the Difference in the Year Ahead?

# It's What We Stop, Not What We Start

by John R. Graham

**Editor's note:** This article was written to effect improvements in the brand new year of 2006 . . . hopefully the suggestions will help you have a great 2007!

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The New Year is traditionally the time to get going on the things we have ignored for too long. It is when we supposedly start doing things that are good for us, like dieting. Incidentally, a current study says that health club memberships are at an all-time high, even though the amount that people exercise has remained flat for 20 years.

As we are all quick to admit, the New Year starts with good intentions that are soon ignored.

One might conclude that, faced with such abject failure, we would try a different approach. Not so. Like B.F. Skinner's famed Harvard-trained pigeons, we just keep on pecking away with the same old resolutions.

Perhaps we should come at the problem another way. For example, instead of starting a diet, it might be easier to stop eating so much. In other words, stopping

may be better than starting. Here are six examples that could help in business:

1. **Stop Doing Dumb Things That Tick Off Customers.** It's the little things that make people unhappy. You go on the Internet, find an article that interests you, click "here" to download it, and instantly a window opens and you must fill out a form before you can get the article. Then, almost instantly, your phone rings. You wanted information, but what you got was a sales call.

Make it easy for a visitor to get acquainted with your company. Why not send a return e-mail thanking the person for requesting the article and offer a free subscription to a newsletter?

Also, retailers should stop giving coupons for things customers do not want or those with short expiration dates. CVS is a great store, but it uses coupons to control purchases, not to please the customer. Some CVS VP should watch customers throwing them away as they leave the store!

Dumb things drive customers crazy—and away.

2. **Stop Looking for Answers.** Why is it that business people avoid questions, but are eager for answers? We are drawn to answers like moths to a candle. Unfortunately, we also get burned.

If a competitor is advertising on TV, we scramble to get on the air. If we go to a meeting or read an article, we look for something we can do, without even asking why.

We went through the send-100,000-e-mails-a-week phase and then discovered that the only people who made any money doing it were the ones who sold the service.

Now, blogging is the answer. Yet, about one in 20 blogs I have visited haven't been updated in months and were abandoned after two or three entries.

Jason Calacanis of Weblogs, Inc. estimates that less than 10 percent of blogs are updated regularly. There are about 100,000 new ones every day, according to Technorati. This, too, shall pass and we'll be on to the next new, exciting, and worthless gimmick. The only people to make money blogging are those that sell books such as *Blogging for Dummies* or *How to Blog Your Way to Success*.

What about asking a few questions: What do our customers want and why? Could they tell us something that might impact our business model? What should we be thinking about to stay ahead of the curve three and five years from now? Are we doing any dumb things? If so, why?

Answers are more fun, while questions require work.

### 3. **Stop Stupid Advertising.**

Advertising isn't easy today. At times, it seems as if the ad industry is catatonic. Ads are everywhere. Our kids ride to school in buses sporting advertising messages, while more and more products are popping up on TV shows. Now, advertisers are turning their attention to the 2.5 billion cell phones worldwide. There's ad space on page one of *The Wall Street Journal*, a premium location if there ever was one, along with page one of other sections.

What's happening to advertising? Today, it's more and more about less and less. Instead of being about how many customers can you reach, it's about how few. Just because a group may have a certain income does not make it homogenous in terms of interests, concerns, aspirations,

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# It's What We Stop, Not What We Start

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and views. Instead of talking to large groups, the task is now much more complex; it's speaking to very small segments.

And even two- to five-second radio spots are available. Are they effective for advertisers or just another way of turning around declining radio revenues?

Changing interests and new technologies make the advertising task more difficult and demanding uncertain.

## 4. Stop Ignoring Solid Information.

The Chrysler people discovered that cute doesn't work when they transformed CEO, Dieter Zetsche, into "Dr. Z," a clown-like character racing around in the big, brutish, high-margin trucks and cars with Hemi V-8 engines as customers clamored for fuel-efficient vehicles.

Chrysler, along with Ford, has paid dearly for its persistence in the face of changing consumer preferences. Sales had to hit the wall before both companies admitted their business models were broken. No one wanted to hear what the customer was thinking. If they had, the story might be different, as Toyota has shown.

On the other hand, a smaller insurance agency in Pennsylvania commissioned a survey to discover how its customers felt about the organization. Drilling down revealed the customers' hot buttons, the issues that cemented their relationship to the agency. This information served as the basis for the agency's message to its customers and prospects. It just shows that being big doesn't mean doing it right.

Information isn't a distraction; it's what creates the customer traction.

## 5. Stop Looking in the Mirror.

On the first page of *The Change Function*, Pip Coburn makes the most telling point of his entire book. It dawned on him some years ago that the presentations by technology companies looking for investors always focused on themselves, "what they had created, and why buyers would be smart enough to figure out how smart their technology was as the price came down." As he goes on to note, "It was all about the smart technologists and the 'magic' that the smart technologists had created. . . . The alternative approach is for technology companies to become riveted to the needs and wants of the users they seek."

How many companies suffer from severe cases of "corporate narcissism"? The 10-month identity development program initiated by a large financial services company illustrates this dangerous condition. When all the meetings ended, the "studies" were put away, approvals received, and the invoices were paid, the firm proudly announced its competitive advantage: "superior customer service." In effect, it asked, "Mirror, mirror on the wall, who's the fairest of them all?" And the answer came back with great clarity, "We are!"

## 6. Stop Beating Up on Salespeople.

Salespeople are easy targets. They can be insufferable and painfully irresponsible. Their reputation for arrogance is well-deserved. They like to think that the destiny of their employer rests with them, and that everyone in the company should cater to their whims.

Even so, it's their employers who can be the cause of their arrogance and high-handed behavior. They are plied with endless incentives, prizes, free vacations, and awards, and handled with kid gloves. They are also threatened, berated, and admonished to do more and more,

as they are handed larger territories, additional accounts, and higher goals.

Rarely, however, are they given what they need most to accomplish the required objectives. Like Sisyphus of Greek mythology, their destiny is to push the boulder up the hill time and time again. It's no wonder that closing rates are so low, often hovering at under 20 percent.

A financial services company isn't alone in expecting its reps to enter new territories without advanced marketing support. Is it any wonder the sales staff spends its days attempting to overcome customer doubt, skepticism, misunderstanding, and pricing issues? Is it any wonder that they are forced into making unnecessary concessions in order to get the business? Absolutely not. Far too often, companies let their salespeople flounder, and even fail unnecessarily, and then try to rehabilitate their sense of worth by tossing in a weekend at some resort. Salespeople deserve and should expect as level a playing field as possible.

If you're looking for the model of the twenty-first century salesperson, visit an Apple store. These highly trained people just seem to hang around and come across as passive. While you're playing with an iPod or computer, trying out new software, or asking a question, they are right there helping to facilitate your experience so that you have a smile on your face and the next thing you're saying is "WOW!" Apple gives them what they need to be top salespeople. Is it any wonder that the Apple stores are so successful?

The point is simply this—that stopping may be more effective than starting. The year ahead will be different to be sure. Success may come from what we stop more than what we start. ■

# Sales Strategy: Why Closing Ratios Are So Low

## *Expecting Miracles, Chasing Rainbows, and Gambling on Gimmicks*

by John R. Graham

**T**he sales team of a large mid-Atlantic insurance agency complained about a lack of leads. Since its compensation was commission-based, it wanted more action.

When its sales consultant heard about the problem, he recommended hiring a telemarketing firm that specialized in arranging appointments. Acting on the suggestion, agency management contracted with the telemarketing firm. A database that reflected the profile of preferred prospects was used to make the calls.

As the agency received responses, agency personnel called to confirm the appointments. However, some respondents the agency contacted claimed they did not agree to an appointment, nor did they recognize the agency's name. Others were hostile.

Even so, there were a few appointments. In each case, the salespeople reported unsatisfactory meetings; not one was "welcoming" or "friendly." After a somewhat lengthy period, the sales force had one "warm" prospect.

This is an example of a "chasing rainbows" approach to sales, and it is the direct result of expecting miracles by gambling on gimmicks.

An endless stream of books, seminars, and Internet sites promise higher closing ratios, more hot prospects, sure-fire closing tactics, compelling presentations, and foolproof sales techniques.

Since we all want to believe in miracles, we rush out to buy whatever we need to make us winners. Some women buy expensive cosmetics in an effort to look younger, and men spend big bucks on tough-looking vehicles in an effort to reinforce their macho self-image. The popularity of "McMansions" may be an effort of some homebuyers to transform themselves into whom they would like to be.



Analyzing the evidence suggests that most salespeople are not committed to making sales. While they certainly want sales, they do not follow a process that results in closing more sales.

While closing ratios vary from industry to industry, there seems to be a pattern. The HVAC industry reports an average closing ratio of 32 percent for salespeople. While one car dealer boasts a 34.5 percent closing ratio on Internet sales, the national average for auto sales is reportedly 17 percent. In some industries, it is around 14 percent.

Since sales ratios are measured in a variety of ways, it is difficult to obtain accurate figures. Whatever the facts, we convince ourselves that our closing ratio is "pretty good considering the economy and the competition." We make it fit us.

Given this situation, how can we change the process so we do not waste time chasing the wrong prospects or those who have no reason to meet with us? How can we fill the pipeline with qualified prospects who know us and appreciate what we bring that is of value to them?

The solution is a sales strategy that builds on differentiating your company from your competitors—one that puts you in a

class by yourself. It has nothing to do with sales gimmicks. It has everything to do with substance.

Here is a sales strategy that makes a difference:

**1. Avoid most prospects.** As strange as it may seem, selling is not about making sales. It is about making the right sales. If one particular insurance producer had been a fisherman, he would be bringing home a string of minnows. Since there was insufficient revenue in his new accounts to justify an outside producer, an in-house agent should have handled them.

Chasing small accounts gives some salespeople a false sense of success; it fills their time while they avoid facing challenges that are more appropriate.

**2. Stop trying to be convincing.** "We have a program that covers the area served by 10 of your client's stores," said the salesperson to the marketing consultant. "It's different from anything on the market. I know you'll like it."

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# Sales Strategy: Why Closing Ratios Are So Low

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This pitch is repeated tens of thousands of times each day by salespeople who act as if making a sale depends on convincing prospects about the product or service. The tactic is a failure. The only benefits that count are those valued by the customer. All others are meaningless distractions.

Could the salesperson have been more successful using a different approach? She might have said, "Our product reaches consumers in the area where your client has 10 stores. Before asking for an appointment, may I ask you several questions about the stores to see if this would be a good match?" By exploring the issues facing the stores, the salesperson places herself in a position to link specific benefits that address them.

## 3. Profile prospects for profitability.

The only way to keep focused is to analyze your top customers, develop appropriate profiles, and then engage in a careful search for prospects that fit those profiles. Periodically re-profile the top customers to make sure you are approaching the most profitable prospects. Over time, the profiles will change so that you are focusing your prospecting activities on profitable potential customers.

## 4. Engage prospects with knowledge.

Most salespeople come through a prospect's door with roughly the same sales pitch. While we all like to think we are "different," the truth is that even "the best" all seem to look and sound alike. Even though each one may offer a little different spin, it comes across to prospects as just more of the same.

Selling business insurance is a good example. Even though agents work at differentiating themselves from the competition, "the lowest quote" often drives decision-making. More than 250 agencies across the country

have discovered how to get over this hurdle.

The producers at these agencies have become Certified WorkComp Advisors following training provided by the Institute of WorkComp Professionals of Asheville, NC. These producers engage prospects by identifying overcharges, mistakes, and other costly errors in workers compensation accounts. By sharing value-creating expertise, they inspire confidence. By engaging the prospect with knowledge, they build trust and earn the right to the business.

**5. Prepare the presentation.** Many salespeople take pride in their professionalism, but they fail to close deals because they focus solely on what they want to accomplish at their presentations. Most also fail to prepare properly, particularly when they become more comfortable in the sales role. Customers are aware when a salesperson is "winging it."

One sales executive concludes an initial meeting with a prospect this way, "My next step will be to prepare a proposal, but I want you to know that it will not have a budget. That will come after you have had a chance to review the program and suggest changes." He explains the rationale for this approach by suggesting that he wants to get the prospect involved in discussing the program. "By including the budget up front, the focus moves to the dollars and away from the benefits," he says.

Here are a few suggestions to improve sales presentations:

- Put your presentation in writing. This forces you to think through what you're going to say so you include everything that's necessary, yet you remain focused.

- Anticipate the prospect's questions so you can plan your answers. Being vague does not win business.
- Practice the presentation. There is an old adage in sports, "You play how you practice." We are never as good as we think we are without practice! Just ask any professional athlete.
- Be responsive to the prospect. Have your antennae up at all times. Be sensitive to the way the prospect or committee is responding. What seems to get attention? What is not of interest?

The goal is to be enthusiastic and animated. Actors persuade through presence . . . so do salespeople.

## 6. Do not pull out too soon.

Marketing and salespeople seem to suffer from an attention deficiency. Easily bored, we are constantly on the prowl for something new, different, and exciting. We are energized by "great ideas." We never look back at the road behind us strewn with dropped initiatives and partially completed projects. In the same way, we jump from one group of prospects to another.

Improving closing ratios requires an enormous amount of self-discipline. To be successful, salespeople must stay on track, constantly improve the process, avoid jumping from one "sure-fire" gimmick to another, and not allow themselves to succumb to promises that are too good to be true even though we would like to believe them. ■

# The Continuing Effect of Hurricane Katrina in the Insurance Marketplace

by Andrew J. Barile, CPCU



**■ Andrew J. Barile, CPCU,** is CEO of Andrew Barile Consulting Corporation, Inc. ([www.abarileconsult.com](http://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, putting Bermuda on the map in insurance for Trenwith, ACE, and XL, etc.

The devastating effects of Hurricane Katrina losses will have a long-lasting effect on the insurance industry. Some insurers will not survive to write new insurance policies. Of greater consequence is to understand how Katrina has affected the entire insurance distribution system. Those affected include corporate insurance buyers, retail insurance brokers, wholesale/

surplus lines agents, managing general agents, admitted and non-admitted insurers, reinsurance intermediaries, and reinsurance companies—domestic and Bermudian.

Having spent more than 40 years in the insurance and reinsurance industry, and either owned a firm, or been employed at all of these types of firms in the insurance industry, I feel I am qualified to provide you with insights into how they have been affected by Hurricane Katrina, and what their challenges and opportunities are.

## Corporate Insurance Buyer

Those corporate risk buyers, who had locations in the path of Hurricane Katrina, understand just how responsive their insurance broker was in laying out the wind versus flood coverages of their policies. Are all layers following form?

Some risk managers now out of necessity are going to have to resort to starting captive insurance companies. Adequate coverage will not be affordable or available. Risk managers learn the most when confronted with myriad of catastrophic losses to their corporation's properties.

Did the risk manager buy enough property catastrophe reinsurance for its captive? Treasurers, CFOs, and CEOs will all be barking for reports to present to the corporation's board.

Corporate insurance risk manager—Are you prepared?

## Retail Insurance Broker

The task for the retail insurance broker today is to adjust to insurance company market changes. Insurance companies will want to write more casualty insurance than property insurance. Also, the retail broker must now prepare homeowners and commercial property clients for price increases. Insurers will raise primary pricing to adjust for

paying reinsurers more for catastrophe coverage. Retail insurance brokers know that homeowners' costs will go up in Florida. Some have added a new strategy to buy or acquire retail brokers in other jurisdictions of the United States, i.e., Florida retailers buy California retailers.

Retail insurance broker—Are you prepared?

## Wholesaler/Surplus Lines Broker

The owner here will be focused on looking for replacement insurance company markets. As a strategic confidential advisory director to wholesale owners, replacing Alea and Quanta Indemnity becomes a top priority. Wholesale brokers will now begin to understand how catastrophes in other parts of the country can affect their profitability.

Many owners of wholesale brokering firms are in their sixties and are in need of perpetuation plans. There is a need to look at strategic acquisitions and/or partnerships.

The recent NAPSLO convention had more than 3,000 in attendance, buzzing with the sale of wholesale firms as Marsh, AON, and Willis have all sold their wholesale firms because of the "power" of Elliott Spitzer. This has created many new opportunities for the smaller wholesaler/surplus lines broker.

Wholesaler/surplus lines broker—Are you prepared?

## Managing General Agent

Hurricane Katrina has taught owners of MGAs that they need to have a plan in place for finding new insurance company markets; seek out the new A-rated insurer looking for distribution. The Florida-based MGAs without catastrophe-

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exposed insurance products look to their increased profitability to obtain geographical expansion.

Managing general agent—Are you prepared?

## Insurance Company

Hurricane Katrina forces the insurance company to be a more prudent buyer of reinsurance. The cost of reinsurance, especially the cost of property catastrophe reinsurance, keeps going up. New relationships are created with the newly formed Bermuda reinsurers. The insurer should be evaluating its reinsurance broker, since most of the direct writing reinsurers are disappearing. Primary insurance pricing must be reevaluated to take into consideration the increased cost of reinsurance. Is your insurance company an opportunist? Will it start writing new homeowners policies in Florida? Are you able to buy catastrophe protection on the basis that four hurricanes will hit Florida in 2006?

Insurance company chief executive—Are you prepared?

## Reinsurance Broker

The reinsurance broker must polish off its relationship skills. It now needs to submit business to new treaty reinsurance underwriters in the new Bermuda markets. Reinsurance rates are rising;

reinsurance brokerage commissions are rising as well. Will the reinsurance broker place the top catastrophe layer with the new Bermuda reinsurer?

Reinsurance intermediary chief executive officers—Are you prepared?

## Reinsurance Company

Hurricane Katrina was the cause of insolvencies of reinsurers. It caused them to take a new look at catastrophe modeling as most reinsurers were not as conservative. It forced reinsurers to reevaluate their reinsurance protections, where prices and availability are factors in the new reinsurance market.

How does the new Bermuda reinsurer get an A minus rating from A.M. Best out of the box? It is dealing with rating agencies and insurance commissioners.

Reinsurance company chief executive officer—Are you prepared?

## Conclusion

Hurricane Katrina created new opportunities and new challenges for all those in the insurance distribution system. Where you are in the distribution system, and how you are able to react, will determine your degree of success. ■

### Agent & Broker Solutions

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