

Chairman's Corner

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



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I hope you are all having a good year! You should be receiving this with more than one-third of the year already behind us. Are the soft market conditions getting to you yet? From my dealings with peers here on the carrier side, I understand that the market softening is unique by territory. One thing I am sure of though is that we all think we have it worse than anyone else. It is always in the eye of the beholder.

You will probably find it hard to believe, but with almost 800 newsletters printed for our section membership, I rarely receive any feedback on what I have written. Sure, friends I have made over time may call me with some input or sometimes, gentle ribbing, but from those of you I have never met or met once, I rarely hear a word. This week I received

a thought-provoking e-mail regarding my column in which the individual asked if I included "risk engineering" as a part of my risk selection criteria. I would like to take the theme of "risk selection as a way to hold onto profitability," that I mentioned in my last Chairman's Corner, and expand on it a bit more.

I thought the correspondent made a really good observation, as I had never given it a thought that someone would question whether I included risk control, loss prevention, or whatever term a given carrier may use for this service, as a part of my risk selection mentality. From my perspective, and please recognize that I have spent my whole career with

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firms that have concentrated on larger commercial risks, risk control services are a given. I would never consider a larger commercial account without providing it the service of a good risk control survey and all the inherent services a Risk Control Department can provide. Two huge issues are covered by a good risk control review.

Number one, we are helping our client improve its risk characteristics, which should improve their experience and effectively keep their overall costs down in the long run. This is a critical service when you consider that the client is buying a piece of paper that says if you have a covered loss, we will indemnify you for that loss. There are other services we provide, like claims services, but I will apologize to the claims folks as I am not addressing that here. Overall, showing a client that it gets something besides a piece of paper for its premium is vital to both agents and carriers. The client has seen, or will see, a risk control representative right around the expiration date of its coverage. This contact is a point of sale, whether you realize it or not. I have seen this point make or break a sale, no matter what the competitive nature of the premium is, so handled well, it is a real benefit in writing business.

The number two issue, and I hope the risk control folks see underwriters as their customers too, is that risk control acts as my eyes. Without a good relationship and understanding of what is transpiring between the underwriter and the risk control representative, we may not reach the point of sale. In the best of situations, the two are in concert on a risk. The underwriter counts on the risk control representative to give a thorough overview of the account and its exposures so the underwriter can price the exposures properly. The underwriter may have some special concerns that were brought to the representative's attention to look at, usually triggered by the underwriter's review of the information on the agent's application. What should never happen is that the underwriter

permits or uses the risk control survey as his or her only decision maker. The survey should contribute to the make-up of the decision, but never should it be the sole basis. Too often, I have seen an underwriter take the "easy" way out and decline a risk solely due to the survey. That is not an ideal situation.

My point in writing this, and to support the thoughts of the individual who sent me some feedback, is that good use of the Risk Control Department is a great point of sale for agents and carriers combined. It gives us an easy way of showing some of the value of those premium dollars until the claim comes, and then the premium dollars are completely apparent. A good risk control relationship with an account's risk manager or insurance buyer is a tremendous add-on to the sales process. In tough times, it could be the difference between retaining or losing an account. In a soft market, we need every advantage we can get to combat those folks who are only selling price.

I just want to let you know that this is my next-to-last column as chairman of the Agent & Broker Section. My term as chairman is about to end. I have been nominated to move on to the Board of Governors as a section governor and, if elected, will move into that role immediately after the Annual Meeting and Seminars in Hawaii. I mention this now as I will continue to make a plug for more volunteers to help move the section forward. You, the section members, would be the judge of this, but I feel we have moved the section forward and tried to bring you the programs that you would find interesting. We need your help to keep it going, so please consider applying to serve on the Agent & Broker Section Committee. I can tell you that the involvement I have had since 1985 has been incredibly rewarding. The friends I have made in the past 22 years are just the best. Trust me, you can find the time if you look hard enough. Please consider helping us out. Thanks. ■

Until next time, one more time!

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Agent & Broker
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at the 2007
Annual Meeting
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Editor's Corner

by Ellen M. Clements, CPCU, CIC, CPIW, ARM



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Rick Lambert's Chairman's Corner highlights the fact that he has finally received feedback on one of the many articles he has written through the years. His commentary is in response to the submission titled, "Engineering Exposures to Increase Underwriting Profits." Take a moment to read through both. It may spark additional comments or questions. Don't hesitate to submit them to my attention at Ellen.Clements@bankofamerica.com. They will be included in the next issue.

This topic reminded me of a placement I worked on several years ago. The client was a funeral products and accessories manufacturer, who had several large losses over the prior three years. The incumbent carrier issued a non-renewal notice due to underwriting reasons. The broker requested an extension to enable it to have more time to secure a replacement program. It received the extension, but had only declinations in hand from the many carriers it had submitted the risk to, and only two weeks until expiration.

This is the point in time that it was assigned to me. My first thoughts were, who did I tick off to be the one to have an account expire without a replacement, but then I thought perhaps it was assigned to me to see if there was a way to provide a solution. I prefer to think the latter.

I immediately dug in by reviewing the existing coverage, making a physical inspection of the facilities, having discussions with senior management, the various product line managers, as well as many of the people out in the plant. I reviewed the current exposures, drilled down on any discontinued products, changes in safety programs, and workflows against the losses that had been incurred and those that were paid. What I found was a client who had been insured with a carrier that was being acquired. The carrier was being encouraged to close out as many open claims as it could and subsequently paid

two substantial claims. It did so based on allegations, with little or no investigation. Two payments in excess of \$500,000 had been made for what many would consider frivolous claims.

I brought this to the attention of one of the underwriters to whom I had submitted the risk, and he called a meeting with claims management and risk control associates. I provided them with my findings, together with details of all claims, and the client's enhanced safety and risk control procedures. Together we were convinced that there should be a way to underwrite and price the risk so it would be profitable. They engineered the exposure and determined that this was a risk they wanted to insure. There were no losses for the next three years. The result—a client that was committed to a long-term relationship with both the broker and the carrier. This was a clear case that engineering exposures can and will increase profits.

The marketing niche analysis and planning for salespeople is part one in a two-part series. Part two—marketing niche analysis for insurers—will be included in the next issue. Stay tuned. If you are looking for a thorough explanation of the steps that need to be taken to discover a market or market niche that is being underserved, and serve that niche profitably, you will want to take the time to read and understand the process that has been shared by author, **John Gilleland, CPCU, API, AIS, AU.**

John Graham has taken us through the lighter side of marketing in two articles that we have included in this issue. "Marketing and Sales: How Egotistical CEOs, Donald Trump, and Myopic 23-Year-Olds Get It Wrong and the Little Old Winemaker Got It Right," has been paired with an article that John submitted last fall that was in our future articles library; "Why It Took Wal-Mart So Long

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to Embrace Marketing (And Why Others Continue to Sit on the Sidelines)." We are taken through a number of hard lessons learned by companies in failed marketing attempts. There are good reasons why some businesses succeed while others fail. Some learn from their mistakes, while others do not.

While we may not print an article when it is submitted, we never throw them away! Here is an example of the right timing to include a previously submitted article because it adds to the information being supplied in another. Keep the submissions coming.

I hope to see all Agent & Broker Section members at the CPCU Society's Annual Meeting and Seminars, September 8–11, 2007, in Honolulu, Hawaii.

Register online now at www.cpcusociety.org, or for more information, call (800) 932-CPCU, option 5. ■

Aloha!



Marketing and Sales

How Egotistical CEOs, Donald Trump, and Myopic 23-Year-Olds Get It Wrong and the Little Old Winemaker Got It Right

by John R. Graham



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It's surprising the entertainment industry doesn't capitalize more on American business. There are so many compelling true stories that are ready-made to electrify audiences. But such efforts would fail. Audiences would shake their heads in disbelief. "How could anyone running a big business and being paid millions of dollars a year be so stupid?" they would ask.

Take the U.S. auto industry, for example. Who would believe that Ford, GM, and Chrysler could go from prominence to near perishing in a generation? There are literally dozens of examples of similar story lines. A great TV special might feature how Ford abandoned the name of one of car history's most popular brands when introducing its replacement, and then seemed surprised the "Five Hundred" didn't sell, only to quietly bring back the Taurus nameplate. Who would believe such a scenario? Here are five illustrations of sales and marketing stupidity:

1. Ignorance Seems to Be Bliss in Business

We recently prepared a marketing communications proposal for an insurance organization. The linchpin of the program was a third-party customer research study, a well-accepted and useful technique for obtaining objective data. Rather than basing a marketing program on personal impressions and anecdotal evidence, the data would provide a solid platform for making specific marketing recommendations.

Several weeks after we submitted our proposal, our contact at the company called and said the CEO is diametrically opposed to surveying customers, indicating that he felt they only get people thinking about

what's wrong. In other words, it's better to let sleeping dogs lie, or to put it another way, ignorance is truly bliss.

While there is no evidence to support the view that surveys upset the apple cart, there is indication that just the opposite is true; customers are actually flattered that a company asks for their opinion.

It may have been a different story if Ford, General Motors, and Chrysler had not ignored the data indicating that consumers were abandoning big SUVs and trucks in favor of smaller, more energy-efficient vehicles. They may not have found themselves in the disastrous situation where they are today.

In effect, these three current also-rans in the U.S. auto business stuck with their business plan even as they drove over the edge. The big SUVs and trucks were their most profitable products so they were not about to stop building them—even when customers stopped buying them.



2. Trying to Get the Customers' Attention

An indication that businesses are finding it difficult to grab customer attention is the extent to which some companies are willing to embrace what we like to call *desperation marketing*.

The city of Boston (like a number of other cities) has been the scene of promotions that not only backfired, but came with an unpleasant price tag.

The first one involved strange-looking lighted displays placed in strategic spots around the city (including under a bridge) that blinked away and were mistaken for bombs. This was a public relations effort by Turner Broadcasting's Cartoon Network. It snarled traffic (which is easy to do on a good day), brought out thousands of police officers, firefighters, and emergency personnel and embarrassed public officials, who pulled out their calculators and sent the Cartoon Network an instant invoice for \$2 million. The bill was paid just as quickly.

Then, the Dr. Pepper people hid coins worth \$10,000. These artful but clearly ignorant "marketers" made the mistake of hiding one of the coins in a 200-year-old crypt in one of the city's most revered historic sites, the famed Old Granary Burial Ground, which happens to be populated with the remains of Revolutionary War heroes. Clearly, this was not a smart move.

While so-called "guerrilla marketing" is tempting and intriguing, it also points out the difficulties marketers are having in attracting the public's attention. While desperation may breed innovation, it's more likely to reveal stupidity. More often than not, such attempts are poorly conceived and inadequately researched. For the most part, they represent a lack of serious commitment to a carefully crafted marketing strategy. They are also equally ineffective. The public may remember the "stunt," but not recall the sponsor.

3. The Donald Factor

Heroes must be in short supply if The Donald is one of them. Why is this in-your-face, painfully pugnacious, and super-egotistical guy popular?

It may be that he does what we would like to do if we dared. The Donald is the anti-wimp. Interestingly, he took on Rosie O'Donnell, an unappealing person to millions of Americans. She was the perfect punching bag for a guy like The Donald. Who's next, Donald, to get our adrenaline going?

Everything he does is another way to scream, "You're fired." Are we so sadistic that we enjoy seeing others suffer?

How many of us would like to shout, "You're fired!" at a co-worker, a boss, a mother-in-law, a customer, or even a spouse? Instead, we let The Donald do it for us. Then, when The Donald disappears, we can buy a Hummer

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or a vehicle equally confrontational and play intimidator.

Pushing for sales is equally obnoxious (and ineffective).

4. Being Sure It's the Right Message

Diabetes is a devastating disease, one without a cure. This is why an American Diabetes Association fund-raising letter with a real nickel peeking through the envelope was surprising.

The caption read, "Even though diabetes is one of the leading causes of death in the United States, each American receives **only a nickel's worth of research funding** every week to find a cure."

The final paragraph concluded, "Every nickel you give will provide funds desperately needed to eliminate diabetes once and for all!"

Evidently, there was some uncertainty about sending out tens of thousands of nickels, since a P.S. suggested sending the nickel back!

There was also a sheet of 51 address labels adorned with ducks, dogs, and fish and the name, "Mr. Graham Communications."

Whether or not the mailing raised money is irrelevant. Was it the correct strategy is something else.

If every nickel counts, why would a non-profit organization give them away, and then throw in a few mailing labels? It comes off as gimmicky, confusing, and even reckless.

There's a better way. Why not challenge prospective donors with a larger-than-life message instead of trying to buy support with nickels (which the letter acknowledges

aren't worth much today) and junky address labels?

Our perceptions of products, services, and companies influence our buying behavior. The task is shaping perceptions in ways that deliver positive results.

5. Having the Wrong Vision—of Ourselves

If there's one issue that takes top honors, it's the arrogant and erroneous belief that presentation preparation is unnecessary. Having recently attended a conference where there were a number of presentations, it became obvious that it was the salespeople who were unprepared. Unfortunately, they fell into the trap of believing that because they were experienced salespeople they could get away with "winging it."

They may be the only ones who think that an expensive dress or suit is all that's necessary. They seem to confuse successful and competent.

More than once at a meeting did someone say, "What was he talking about?" And these were peers!

Much of the problem is the way many salespeople view themselves. They seem to think that being friendly, likeable, and sociable—the ability to get along with people—are the core ingredients for making sales. Yet, they wonder why their closing rate is so low.

For all salespeople, a lesson from Ronald Reagan is in order. Behind his rather folksy facade there was an enormously disciplined mind with well-honed ideas. But more importantly, he was practiced in communicating benefits, not features.

We can learn a valuable lesson from Mr. Reagan. No matter what they think they're doing, most salespeople brim full and overflowing with features and then wonder why they never connect with customers.

Getting It Right

For decades, Ernest and Julio Gallo turned grapes into gold by selling low-end wines, including their infamous Thunderbird brand. Julio operated the wineries and Ernest, the chief salesperson, made the money. Over the last couple of decades, they earned respect from their more upscale lines.

According to *The Wall Street Journal* story, Julio was dogged in his marketing. He constantly visited stores, always making sure Gallo had the most advantageous shelf space.

While the quality of Gallo wines may have been somewhat average, Ernest's genius was off the charts. The WSJ article expressed it well:

... in an early 1970s exchange with Michael Mondavi, son of the famous vintner Robert Mondavi, Mr. Gallo [Ernest] suggested size was not his biggest priority. "Do you know what I do?" Mr. Mondavi recalls Mr. Gallo asking him when they first met. "Yes, you run the largest winery in the country," replied Mr. Mondavi, then in his mid-20s. "No," Ernest corrected him. "I go out and visit customers in stores."

It's a good lesson for CEOs, The Donald, marketers, salespeople, and just about everyone else. ■

New Challenges Require Insurance Agent Owners to Implement Strategic Advisory Boards

by Andrew J. Barile, CPCU



■ Andrew J. Barile, CPCU, has more than 40 years of experience in the property and casualty insurance distribution business. He has owned, operated, and consulted to retail brokers, surplus lines brokers, MGAs, insurance companies, reinsurance intermediaries, and reinsurers. He was instrumental in co-founding the first publicly held Bermuda reinsurance company, and putting Bermuda into the capital-raising world in 1978. Barile has written several books, and many articles that have appeared in *The National Underwriter*, *Insurance Advocate*, *Florida Insurance News*, *Business Insurance*, *Forbes Magazine*, and *The Insurance Journal*. Interviews have appeared in *New York Times*, *The Wall Street Journal*, *Best's Review*, and *Rough Notes Magazine*.

As the owner of an insurance agency, there is no legal requirement that you have a Board of Directors. Unlike owning an insurance company, which requires a Board of Directors, insurance agent owners do not have boards. But in these interesting times, the owner of an insurance agency should look at forming a Strategic Advisory Board.

What Is a Strategic Advisory Board?

A Strategic Advisory Board is a group of carefully selected insurance experience advisors who can assist the agent owner in making the right important decisions for the agency. Unlike a traditional Board of Directors, a Strategic Advisory Board is comprised of members who have knowledge and expertise in specific areas of the insurance industry. The goal of the Strategic Advisory Board is to reduce the amount of anxiety equated with confronting unexpected situations, and to provide solid, trustworthy business advice to ensure successful and profitable agency planning and execution. By adding substantial value, their cost does not become a burden for the agent owner. Generally, a Strategic Advisory Board meets on a quarterly basis, allowing for members to keep abreast of the significant issues affecting the insurance agency.

Basic Competencies of a Strategic Advisory Board

Ideally, your Board should be comprised of a minimum of four members with expertise and knowledge in the following broad areas:

1. Agency Growth

- a. insurance product development for new programs
- b. employment agreements for agency producers
- c. forming the agent-owned captive insurance company

- d. managing and implementing of a risk retention group for a group of insureds

2. Carrier Relationships

- a. negotiating existing insurance carrier agency agreements
- b. finding new insurance company markets
- c. interviewing underwriters for your managing general agency

3. Mergers and Acquisitions

- a. unsolicited offers to buy your agency
- b. accessing capital to grow your agency
- c. selling your agency to private equity firms

4. Legal and Tax Advice

- a. selecting an insurance litigation law firm
- b. negotiating reinsurance structures to increase agency commissions

Here are examples of how your Strategic Advisory Board comes into play in the real insurance world.

1. Agency Growth

a. Insurance Product Development for New Programs

Your managing general agency has been given a new opportunity by a new "A"-rated carrier owned by a large Bermuda reinsurer, who wants to come into California to write general liability on the California contractors, and compete with the various risk retention groups operating in the market. Your strategic advisory director is given the assignment to develop the rates, coverages, and forms that will enable your managing general agency to compete in the market, and in addition, build a complete retail

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insurance broker distribution plan for the state of California. What an opportunity to add additional value to your managing general agency.

b. Employment Agreements for Agency Producers

In your agency, you have approached a competing producer trying to persuade her to leave her present position and join your fast-growing retail agency. There is one big hurdle; she has a very strict "non-compete agreement" that has to be circumvented. How can you do this? So you turn to the expertise in your Strategic Advisory Board, and work with it to come to a solution on hiring the producer, without the problems of a non-compete agreement can give you. There are many different types of non-compete agreements with respect to retailers, wholesalers, and even managing general agents.

c. Forming the Agent-Owned Captive Insurance Company

Your retail insurance agency has been writing errors and omissions on real estate appraisers with a consistent 25 percent loss ratio, and you want to recapture some of the underwriting profit into your own agent-owned captive insurance company. You require a complete feasibility study, and want to raise the capital for the captive insurance company through a private placement memorandum (PPM). The technical task of structuring the feasibility study for the agent-owned captive can be delegated to the Strategic Advisory Board. Should you use Arizona or Vermont, or even Hawaii as your domestic domicile? Do you want to own a Cayman Island agency captive, or Barbados? What are

the advantages and disadvantages of each domicile, on shore and offshore? The strategic advisory director has all the answers to let you proceed with this concept to enhance value.

d. Managing and Implementing a Risk Retention Group for a Group of Insureds

As the owner of a fast-growing wholesaler, you discover a need to provide general liability for roofing contractors, or medical practice for a group of doctors, and want to provide a unique insurance product for these exposures. There are more than 200 risk retention groups operating within the United States providing insurance capacity in various areas of the business. The product designs, capital implementation, and reinsurance structure for risk retention groups can be assigned to the Strategic Advisory Board. Once again, you are outsourcing your need, and will obtain the necessary expertise to implement a risk retention group that your agency will manage. Build agency value with the fee income generated by the risk retention group.

2. Carrier Relationships

a. Negotiating Existing Insurance Carrier Agency Agreements

Your retail insurance agency in Florida has just received the "bad" news that your largest carrier is leaving Florida because of reinsurance costs and insurance product pricing. As the owner of the agency, you turn to your Strategic Advisory Board to come up with a solution to delay the carrier's withdrawal from the state. In fact, the strategic director would be aware of the carrier withdrawal before it

makes the decision to withdraw. Experienced strategic directors know all the signs because they have experienced this before in their younger years. Delaying the withdrawal is commission dollars saved, and value added.

b. Finding New Insurance Company Markets

The owner of the wholesale agency has put aside a specific budget for searching for new carriers and even investing in initial public offerings (IPOs) of newly formed insurance holding companies. The strategic advisory director can help in identifying new insurance carriers that have just received their A-minus rating, and looking to build a new distribution system. This expertise is not with the owner of the agency, whether it be retailer, wholesaler, or managing general agency. Having access to the members of the Society of Financial Insurance Stock Analysts always helps the strategic advisory director. The dedication to search out newly formed insurance companies, is an expertise, starting with knowing state insurance department officials. Your strategic advisory director can find new carriers better than you, the owner of the agency.

c. Interviewing Underwriters for Your Managing General Agency

The objectivity of the strategic advisory director makes him or her suitable for the decision-making process in new hires for your managing general agency. MGA owners can turn to the director for one last interview before decision-making time. Once again, value being added by the Board.

3. Mergers and Acquisitions

a. Unsolicited Offers to Buy Your Agency

The unsolicited offer by a bank to buy your managing general agency or wholesaler, or even retailer should be the sign for you to seek financial representation. Dealing with organizations that have made numerous agency acquisitions puts you, the agency owner, at a complete disadvantage. The world of "letters of intent," due diligence, pro-forma financials makes you the agency owner a novice. Turning to your strategic advisory director, who has been around long enough to know what your asking price should be, is really an advantage. It is always an emotional time, and the thought of selling your agency needs careful consideration.

b. Accessing Capital to Grow Your Agency

For your geographical expansion of your wholesaler, you require additional capital for this expenditure. The Strategic Advisory Board has approved the expansion expenditure, and now turns to who is going to provide the financing. Strategic advisory directors have access to expansion capital. Many agent owners need to put their financials in order to complete the process of acquiring expansion capital at economical terms. The entire proposal to obtain expansion capital must be done professionally, and is another area where strategic advisory directors make a significant contribution.

c. Selling Your Agency to Private Equity Firms

Recent events have caused a stir in the traditional insurance industry whereby cash-rich private equity firms have paid



substantial premiums over book value to obtain retail insurance brokers, wholesale insurance brokers, and yes, even managing general agents. Owners are smiling all the way to the bank, as rates start coming down in insurance, making the former profit margins difficult to come by. The strategic advisory director, with merger and acquisition experience, can be put to the test by the agent owner. Hedge funds, like private equity firms, have very little actual insurance industry experience. Therefore, the strategic advisory director makes a good go-between to facilitate a transaction that meets both sides' approval.

4. Legal and Tax Advice

a. Selecting an Insurance Litigation Law Firm

The number of lawsuits between agents and insurance companies has dramatically increased over the past five years. Agent owners need to access insurance litigation

law firms, utilizing their strategic advisory director. Interviewing law firms for litigation purposes requires a different type of expertise that agent owners do not have.

b. Negotiating Reinsurance Structures to Increase Agency Commissions

Owners of managing general agencies need to understand how capacity is structured behind the insurance companies they represent. Various types of reinsurance agreements can be negotiated, which ultimately increase the MGA's commission under the MGA contract. Understanding the various characteristics of treaty reinsurance agreements is required. The strategic advisory director should have reinsurance expertise.

Conclusions

Your Strategic Advisory Board will only be as good as you, the agent owner, wants it to be. It will be your responsibility to keep your Board informed of situations that affect your agency.

When it comes to appointing members to your Strategic Advisory Board, there are several qualities you, the agent owner, will want to look for. Ask yourself the following questions:

1. Is this person knowledgeable about this area of expertise in relation to the insurance industry?
2. Complete confidentiality, can this person be trusted with complete confidentiality?

Remember that your Strategic Advisory Board is there to assist you in making the right decisions for the future of your agency. ■

Death by PowerPoint—Truth or Myth

by Steve White

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We've all been there at one time or another. It's Friday afternoon after a big lunch. As the lights dim and the laptop begins to purr, we are suddenly lulled into a semi-comatose state. The presenter prepares to introduce the first of more than 30 slides, and we prepare for the grueling endurance test that lies ahead, perhaps second only to the Iditarod.

But if we dread it so much, why has it been estimated that there are more than 30 million PowerPoint presentations taking place all around the world each day, even though the result may be businessmen staring glassy-eyed at endless slides in boardrooms all over New York, New Zealand, and New Delhi? There has to be a reason that PowerPoint has been the industry program and the most common presentation software on the market since Microsoft introduced it in 1990, effectively replacing the 35mm projector, presentation boards, and, in some cases, even handouts.

Unfortunately, the number-one reason for PowerPoint's popularity may be the wrong reason. Too many people have used PowerPoint as a crutch, a way to circumvent their most dreaded fear—public speaking. As one executive explained, "Fear of public speaking ranks slightly below night-landing a plane on an aircraft carrier during a storm." But he also points out that PowerPoint can actually help those with a public speaking phobia. "When they freeze up and forget their own name, they can just read it off the first slide."

So, it's PowerPoint to the rescue! But in our haste to hide in the dark, glaring errors are committed that can prove lethal to even the most well thought-out presentation. In a recent survey of 750 business professionals who incorporate PowerPoint presentations in their business, only 22 percent were ultimately happy with what they have accomplished, with 88 percent saying they felt they needed to shorten their presentation. Explains one industry leader, "Presenters mistakenly assume that if the number of slides is modest, the audience will not believe the presentation adds much value."

The problem isn't usually the number of slides, but what is actually on them, which in many cases is too much text. In a medium made for bullet points, why do so many people write whole paragraphs after each bullet and then recite them from the slides? This is something that particularly angers one advertising vice president, "If you are going to just read the slides, why not e-mail them and don't make everyone come to the meeting?"



The slides should not serve as notes . . . most grown-ups haven't enjoyed being read to aloud since they were four years old. And if the audience members are doing all the reading, then they aren't listening to you. But before they can listen to you, they have to find you—which means don't stay attached to your laptop at the back of the room. It's like telling the audience "Hey, don't look at me. I'm not important, I'm just an accessory to the equipment." Use a remote, not a mouse. Get out front and lead the presentation—don't let it lead you.

Proponents of PowerPoint tell us it can be an effective tool, one that puts powerful features at our fingertips, once we learn how to use them. "PowerPoint doesn't bore people—people bore people," they are quick to point out. True enough, but how do we handle those features? Perhaps the most effective way to know how to use PowerPoint to the best of our abilities is to first understand what not to do. Here is what is referred to as the "Seven Deadly Sins of PowerPoint," as put forth by Dr. Joseph Sommerville, head of a Houston-based firm specializing in helping professionals develop their presentation skills.

- 1. Avoid distracting special effects** (fade-outs, wipes, dissolves, etc.) and sound effects.
- 2. Avoid clip-art.** It shows a lack of creativity. Try to use only your own scanned photos, or purchase a CD of good-quality stock photos.
- 3. Avoid templates.** Why fit your original ideas into somebody else's pre-packaged design. Create your own distinctive look, and put your company logo at the bottom right-hand corner.
- 4. Avoid text-heavy slides.** Don't use paragraphs, quotes, or even complete sentences. Limit your slides to no more than five lines of text. Don't use your slides as speaker notes.

Engineering Exposures to Increase Underwriting Profits

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- 5. Avoid small type.** It's okay to read 12-point type in an article, but for a PowerPoint presentation, a minimum of 40-point type is the way to go.
- 6. Avoid passing out handouts** of your PowerPoint presentation before the event. Your audience will be reading it rather than listening to you.
- 7. Avoid faith in technology.** It's the law of nature—machines break down. Have a backup of either another machine or transparencies or, at the very least, handouts.

Even though one legal scholar proposed a constitutional amendment banning PowerPoint, and we assume he was speaking in jest (maybe), millions of business people throughout the world will continue to use it and refine it, as the technology upgrades. If used correctly and in tandem with a strong and confident speaker, it can be a powerful presentation tool, one that holds the audience's attention and accomplishes its ultimate goal—to drive home a single, indelible point.

However, if used with little foresight and preparation, with graphics that appear to have been drawn by a small child, an over-abundance of text that flies around the screen like a swarm of locust, and a narration that drones on like verbal elevator music, the result will be like comparing PowerPoint to what one expert calls "corporate karaoke."

"Like karaoke, for the most part it's tough to listen to," he explains. "But we all applaud each other when it's over—even though we know how bad it is." ■

Examples of How Applications Can Be Engineered

Insulation of Flood Exposures:

A prospect for HO-3 is eligible and acceptable in every way but one. The subject is in a flood plain that floods almost annually.

Possible Solution: the service representative should issue the HO-3 (which excludes flood coverage), refer the insured to a preferred source for available flood insurance, and require proof of coverage during the policy's discovery period.

Addition of Coverage for a Race Car:

A prospect for a preferred auto program is eligible and acceptable in every way but one. He owns a racing car used in NASCAR-type events.

Possible Solution: the service representative should explain that the racing car is excluded by the insurance policy offered.

Suggest that the prospect consult a specialist in motor sports insurance. The prospect's racing association may have a recommendation. If the prospect insists the service representative provide information about sources of coverage, the prospect could be referred to Motorsports Insurance Services at (310) 301-0333 and Gulfway Insurers Motorsports Insurance at (800) 940-5010 after explaining neither organization is endorsed or recommended by the insurer. ■

Marketing Niche Analysis and Planning for Insurance Salespeople

by John T. Gilleland Jr., CPCU, API, AIS, AU



■ John T. Gilleland Jr., CPCU, API, AIS, AU, has a reputation for helping underwriters learn how and feel comfortable about acting as negotiators and risk engineers. He enables people to grow books of business profitably. He promotes business plans using quality principles and underwriting fundamentals. Some of his work can be seen at www.profitableunderwriting.com.

Editor's note: The author of this article hopes this document successfully argues the need for a better process for development of personal business development plans for insurance sales people. Please use this information to imporve your business development efforts by creating a checklist to evaluate your personal prospecting program.

Please contact John Gilleland at jtg1@profitableunderwriting.com if you have any questions, comments, corrections, or unresolved concerns.

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Introduction/Purpose

This article was written to help agency salespeople plan how to sell insurance in a targeted manner as a result of developing professional relationships with prospects who become clients as a result of one or more contacts by agency sales people. The illustrations and questions checklist should be used to prepare a personal business development plan for agency salespeople. Such plans should include goals, routines, and schedules reflecting how one or a few market niches will be prospected/solicited.

In most markets there are segments/niches that are less popular and, therefore, poorly served by sellers of goods and services. This article is intended to explain how marketing opportunities for profits may be targeted and served profitably. Uncovering needs for products and/or services and then selling to satisfy those needs enables salespeople to succeed financially. Simply put, this article suggests salespeople who want to diversify or completely change what they are selling should first discover a market or market niche that is being underserved, and second, find a way to serve that niche profitably. Principles, processes, and people should be learned/studied to build confidence and capacity to succeed.

An example of a "market" is the trucking industry. Transportation of materials and products is a financially significant business/market. Many insurance companies insure many trucking operations hauling many items and materials to many businesses and individuals. Therefore, it is appropriate to first ask: What part of the trucking industry is not being served well or being neglected? What segments are being underserved? What do truckers want to start buying or what do they want improved? Secondly, decision makers should determine what should be arranged so the need(s) defined by the previous questions are met profitably. What principles, processes, and people are needed to reliably make win-win agreements between sellers and buyers?

Figure 1 is offered as a generic *Targeting Matrix* to enable readers to see one of many ways this process could be illustrated and applied to many marketing opportunities.

Another way of looking at this subject, trying to see it as a process, is to picture it as a staircase rising from basic to higher-level activities as seen in Figure 2.

Entrepreneurs discover needs, define the who, what, when, where, why, and who involved with those needs, and then develop opportunities to satisfy those needs profitably. This process should be applied to risk management in general and insurance in particular.



Figure 1
Targeting Matrix
Types of Marketing* Activities and Settings

		Direct		Indirect	
		One on One	Group	One on One	Group
Discovering	What part of the _____ industry is not being served well or being neglected?				
	What do _____s want to start buying or what do they want improved?				
	Who needs the product/service and is willing to pay for it?				
Developing	What should be arranged so the need(s) defined by the previous questions are met profitably?				
	What principles, processes, and people are needed to reliably make win/win agreements between sellers and buyers?				

* Marketing is defined as:

1. The process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to satisfy customers.
2. The business of planning/coordinating, advertising, promoting, and selling directly and indirectly to willing buyers.
3. Finding out what customers want, then working to meet their needs profitably.

Figure 2
A Stairway to Profits
Discovering, Defining, and Developing Opportunities to Sell

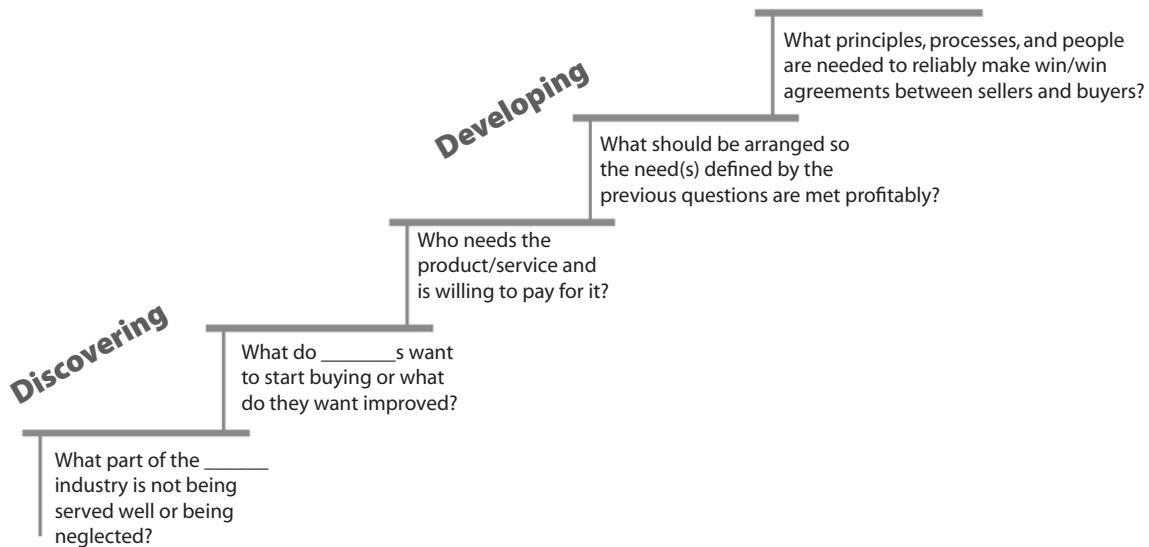


Figure 3
The Marketing Niche Matrix
How Marketing Can Be Programmed to Develop Profitable Business Relationships

		Types of Marketing Prospecting Activities and Settings			
		One on One	Direct Group	One on One	Indirect Group
Types of Sales Leads	Current customers		hosting formal and informal educational, social, and other types of meetings giving opportunities to inform, solicit, train, and/or complement and reward	find ways to express appreciation for their patronage and refer business to them	make sure they are invited to socials and to professional association meetings
	Past customers	self introductions followed quickly by face-to-face meetings scheduled as a weekly contact program		ask why they stopped doing business with your company*	make sure they are invited to socials and to professional association meetings and know you got them invited
	Associates of customers			self introductions during informal gatherings followed ...	
	Logical users			cold calls made as constructively as possible	supporting formal and informal meetings
	Nearby prospects	self introductions during cold-calling (prospecting) time	invite these prospects to events where happy customers will encourage your prospects to buy your products and/or services	cold calls made as incidental as possible	have open houses for the public whenever anything changes at your office
	Competitors' customers			learn who uses your competition, why* they use them, etc. and then make cold calls	do all of the above actions deliberately

* Make improvements and let those who complain and those who are skeptical know about the improvements.

Method

Figure 3 shows how any type of insurance purchasing market can be segmented and arranged in a coordinated manner to list different types of prospective clients and describe how they may be approached one on one and in groups. Types of sales leads are listed on the left side. Types of prospecting activities and settings are listed across the top.

Explanations

As illustrated on the left side of Figure 3, all sales leads can be divided into one of two groups based upon how familiar the prospecting salesperson and his or her company are affiliated with prospects. In most industries, the term cold calling is meant to suggest little or no pre-contact affiliation with a prospect. Hence, Figure 3 shows there are two major types of sales leads: cold and warm. Warm sales leads can be either current customers, past customers, or associates

of customers. Cold sales leads can be classified in many ways. This article describes cold sales leads as being:

- **logical users** who are currently using products/services that are similar to what the planning salesperson wants to offer prospects
- **nearby prospects** who are convenient to the planning salesperson geographically, and
- **competitors' customers** who are likely to appreciate the planning salesperson's products and services but will probably think they are satisfied with incumbent agents' products and services

As illustrated across the top of the matrix in Figure 3, all sales activities can be divided into direct and indirect actions.* These can be further divided into one-on-one and group settings.

* Indirect actions are considered to be efforts taken in supportive roles. Direct actions would include any effort made to inform someone or commit a prospect to take action. Indirect actions are things like making sure events are well-attended and see to details at a professional association meeting where you do not play a lead role.

Timing

Figure 4 shows how frequently actions should be taken to contact prospects to encourage them to trust the planning salesperson enough to communicate constructively, exchanging enough information and securing commitments thereby producing win/win agreements.

Figure 4
The Marketing Niche Matrix
How Marketing Can Be Programmed to Develop Profitable Business Relationships

		Types of Marketing Prospecting Activities, Settings and Schedules			
		Direct		Indirect	
Types of Sales Leads	One on One	Group	One on One	Group	
Warm	<p><i>see my calendar</i> self introductions followed quickly by face-to-face meetings scheduled as a weekly contact program</p> <p><i>see my calendar</i></p>	<p><i>bi-monthly</i> host formal and informal educational, social, and other types of meetings giving opportunities to inform, solicit, train, and/or complement and reward</p> <p><i>bi-monthly</i></p>	<p>find ways to express appreciation for their professional associations and refer business to them</p> <p><i>use professional associations' calendars</i></p>	<p><i>use professional associations' calendars</i></p> <p>make sure they are invited to their professional association meetings</p>	
Cold	<p><i>see my calendar</i> self introducing cold-calling (prospecting) time</p> <p><i>see my calendar</i></p>	<p><i>bi-monthly</i> invite these prospects to events where happy customers will encourage your prospects to buy your products and/or services</p> <p><i>bi-monthly</i></p>	<p><i>use professional associations' calendars</i></p> <p><i>stop by whenever you are coming or going from your office</i></p> <p><i>go solicit after doing your homework</i></p>	<p><i>use professional associations' calendars</i></p> <p>support groups and organizations</p>	

A Questions Checklist

Questions—An Outline

The following outline is one of many ways a checklist might be composed for developing and evaluating a prospecting program for insurance salespeople:

I. Warm sales leads—questions concerning related/affiliated prospects and clients

A. Current customers—questions concerning relationships with existing clients

1. direct one-on-one meetings—questions encouraging development and evaluation of how customers should be contacted and served individually

2. direct group meetings—questions encouraging development and evaluation of how groups of customers

should be assertively served and lead as targeted market niches

3. indirect one-on-one meetings—questions encouraging development and evaluation of how customers should be contacted and encouraged subtly
4. indirect group meetings—questions encouraging development and evaluation of how groups of customers should be supported indirectly

B. Past Customers—questions concerning revival of relationships with past clients

1. direct one-on-one meetings—questions encouraging development and evaluation of how old customers should be contacted and solicited individually

2. direct group meetings—questions encouraging development and evaluation of how groups of former customers should be assertively served and lead as targeted market niches

3. indirect one-on-one meetings—questions encouraging development and evaluation of how former customers should be contacted and encouraged subtly indirectly

4. indirect group meetings—questions encouraging development and evaluation of how groups of former customers should be supported indirectly

C. Associates of Customers—questions concerning developing relationships with existing clients' associates/affiliates

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1. direct one-on-one meetings—questions encouraging development and evaluation of how current customers' peers, subsidiaries, sister companies, etc. should be contacted and solicited individually
2. direct group meetings—questions encouraging development and evaluation of how groups of current customers' peers, subsidiaries, sister companies, etc. should be assertively served and lead as targeted market niches
3. indirect one-on-one meetings—questions encouraging development and evaluation of how current customers' peers, subsidiaries, sister companies, etc. should be contacted and encouraged subtly indirectly
4. indirect group meetings—questions encouraging development and evaluation of how groups of current customers' peers, subsidiaries, sister companies, etc. should be supported indirectly

II. Cold Sales Leads—questions concerning prospects who have not been customers and are not associated with any of our customers

A. Logical Users—questions concerning how to develop relationships with logical prospects who are very likely to need our products/services

1. direct one-on-one meetings—questions encouraging development and evaluation of how likely prospects should be contacted, informed, and solicited individually
2. direct group meetings—questions encouraging development and evaluation of how groups of likely prospects

should be assertively solicited and lead as targeted market niches who are unfamiliar with our products/services

3. indirect one-on-one meetings—questions encouraging development and evaluation of how unfamiliar prospects should be contacted, informed, and encouraged subtly
4. indirect group meetings—questions encouraging development and evaluation of how groups of unfamiliar prospects should be informed and supported indirectly

B. Nearby Prospects—questions concerning how to develop relationships with logical prospects who are very likely to need our products/services

1. direct one-on-one meetings—questions encouraging development and evaluation of how geographically convenient prospects should be contacted, informed, and solicited individually
2. direct group meetings—questions encouraging development and evaluation of how geographically convenient prospects should be assertively solicited and lead as targeted market niches who are unfamiliar with our products/services
3. indirect one-on-one meetings—questions encouraging development and evaluation of how geographically convenient prospects should be contacted, informed, and encouraged subtly
4. indirect group meetings—questions encouraging development and evaluation of how geographically convenient prospects should be informed and supported indirectly

C. Competitors' Customers—questions concerning how to develop relationships with your competitors' customers who may or may not be happy with what your competitors have been selling

1. direct one-on-one meetings—questions encouraging development and evaluation of how competitors' customers should be contacted, informed, and solicited individually
2. direct group meetings—questions encouraging development and evaluation of how competitors' customers should be assertively solicited and lead as targeted market niches who are unfamiliar with our products/services
3. indirect one-on-one meetings—questions encouraging development and evaluation of how competitors' customers should be contacted, informed, and encouraged subtly
4. indirect group meetings—questions encouraging development and evaluation of how competitors' customers should be informed and supported indirectly

Customer relationship management (CRM) is a relatively new marketing term that covers concepts used by some marketing and sales professionals to manage how well their companies serve and communicate with customers, including collecting, storing, and analyzing customer information. Please find out what it should mean for your organization. These questions should help enable insurance salespeople to develop and manage profitable

relationships with customers, thus generating residual income for several years. This is the “people” part of our business. It should be targeted by sales people after they earn credibility by becoming subject matter experts as a result of learning principles and processes. Principles, processes, and people should be learned and managed to create winning marketing strategies, goals, plans, tactics, and actions.

Questions—A Sampling

Here is a very brief/incomplete checklist composed of questions concerning warm sales leads:

1. Examine your service efforts from your customers' points of view so that you can learn and then educate your clients concerning the penalties (pain) that could result if that particular service is not bought from you. Have you done your homework by answering the following questions:
 - a. What services do you offer?
 - b. Do you proactively find ways to wow your customers? Do you update Workers Compensation loss experience documentation when experience modifiers can be lowered? Do you make sure insurers reply to loss reports and claims promptly? Do you offer payroll audit reviews to prevent your clients from being hit by increased WC premium increase? Do you offer payroll audit reviews to your clients to provide early detection of increase premiums?
2. What should be done in one-on-one meetings with the 20 percent of our current customers who are producing the majority of our business?
3. What should be done in one-on-one meetings with the top five or seven customers who should be using our products/services more?

4. How can you be first to your clients and prospects with late breaking news about important changes in coverage, new risk management techniques, changes in state laws affecting their risk exposures, and new types of insurance or new markets offer their coverage in smarter ways?
5. What formal actions should be taken during formal group meetings to solicit more business from our clients?
6. What informal actions should be taken during informal group meetings to solicit more business from our clients?
7. What formal and informal group meetings should be attended to seek opportunities to contact old customers in an effort to meet with them later?
8. Should you try to persuade your agency's lawyers, accountants, architects, engineers, bankers, and financial advisors to agree to relay your information about risk management (e.g., insurance, self-insurance) to their clients? This can be a source of referrals.
9. What formal and informal group meetings should be used as venues for soliciting business from our customers' associates/affiliates?
10. Do you speak at public meetings and invite your competitors' clients to those meetings?

Here is a very brief/incomplete checklist composed of questions concerning cold sales leads:

1. Examine your service efforts from your prospects' points of view so that you can learn and then educate your prospects concerning the penalties (pain) that could result if that particular service is not bought from you. Have you done your homework by answering the following questions:
 - a. What services do you offer?
 - b. Do you proactively find ways to wow your prospects? Do you offer to update Workers Compensation loss experience documentation when experience modifiers can be lowered? Can you make sure insurers reply to loss reports and claims promptly? Can you offer payroll audit reviews to prevent your clients from being hit by increased WC premium increase? Do you offer payroll audit reviews to prospective customers as a loss leader?
2. What should be done during one-on-one meetings with the most attractive 20 percent of our prospects?
3. How can you be first to prospects with late breaking news about important changes in coverage, new risk management techniques, changes in state laws affecting their risk exposures, and new types of insurance or new markets offer their coverage in smarter ways?
4. What should be done during one-on-one meetings with prospects who are located near our offices?
5. What formal actions should be taken during formal group meetings to solicit our neighboring prospects?
6. What informal actions should be taken during informal group meetings to solicit our neighboring prospects?
7. What formal and informal group meetings should be attended to seek opportunities to contact neighboring prospects in an effort to meet with them later?
8. Should you try to persuade one or more groups of professionals (e.g., lawyers, accountants, architects, engineers, bankers, financial advisors) to agree to relay your information about risk management

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(e.g., insurance, self-insurance) to their clients? This can be a source of referrals.

9. What formal and informal group meetings should be used as venues for soliciting business from our competitors' customers?

Summary

Randy Schwantz, on pages 141 to 155 of *Breaking the Sales Barrier*, teaches insurance salespeople five steps to drive a wedge between prospects and their incumbent sales persons so they close more sales:

1. Make the prospect aware of what he/she is missing out on and feel the need for change.
2. Examine your proactive service from the point of view of the customer so that you can educate your prospect on the penalties (pain) that could result if that particular service is not bought from you.
3. Encourage the prospect to expand his vision of the benefit you've found he/she is most interested in. Tell how another client enjoys that benefit. Tell how your team provides such great service.
4. Review what the prospect wants and how your benefit can be had, avoiding use of "I" and "me" if the plan is implemented. Making sure he hears his own words.
5. Ask the prospect what he/she would like to do now. Don't ask for the sale. Get invited to help the prospect. ■

Why It Took Wal-Mart So Long to Embrace Marketing

(And Why Others Continue to Sit on the Sidelines)

by John R. Graham

Many companies ignore marketing or don't take it seriously—until something goes wrong. Then, they can't become true believers fast enough. A high-profile example is Wal-Mart. For decades the storied retailer was welcomed with open arms in most communities, with the few exceptions simply proving the rule.

Then, in the last few years, Wal-Mart was getting beaten up rather badly. All of a sudden the company that rested on its laurels of low prices got religion and today is spending tens of millions of dollars on public relations, advertising and community relations efforts and designing more attractive stores.

It's even patting itself on the back for being the largest corporate donor to charitable causes in the nation. Taken together, these incursions into marketing are aimed at changing the public's perception of the company.

Wal-Mart is far from alone in coming late to marketing. Just when you think you've heard all the reasons why companies ignore marketing, another one pops up. Here is what might be called "the top nine."

1. "Everybody knows us. We've been in business for 34 years." This is at the top of list for one reason: it can be heard any day of the week, expressed by people who really believe it. It conjures up the ghost of G. Jay Parkinson, president of the famed Anaconda Mining Company, who said, "This company will be going strong 100 years and even 500 years from now." It must have come as a surprise when the company declared bankruptcy just three years later.

Sales are about today, while marketing is about tomorrow, something Mr. Parkinson's arrogance didn't permit him to understand. Evidently, the folks at Ford

have trouble with it, too. They talk about "bold" but deliver ordinary. At GM they rely on add-on gimmicks like OnStar to sell cars. They worry about today, while Toyota, for example, has a vision of what best serves the customer that reaches far into the future.

2. "We're doing just fine. We don't need marketing." This has been the Wal-Mart mantra for decades as they relied on their "lowest prices" pronouncement to keep the customers coming back for more. It worked for a long time. Until the world's largest was being battered from just about every angle.

Facing flat sales, customer defections, in-store issues, an inability to attract more affluent consumers, employee unrest, and louder-than-ever objections to proposed store locations, the folks at Bentonville have embraced marketing in a big way, all to the credit of CEO Lee Scott. They finally realized that Sam Walton's message of "lowest prices" was only half his message. "Treating people fairly" was equally important.

3. "Marketing? What we need are sales." If anything was ever obvious as a pancake at IHOP, it's that every business needs sales.

Far too many of those in business have great trouble grasping an essential concept: what every business really needs is customers. The life insurance agent needs someone to talk to about protection and securing the future, the boat dealer hooks customers who have a dream of being a "captain" and the department store owner wants consumers who expect a certain type of experience.

It's interesting that the CEO of McDonald's put the brakes on building new stores after realizing that all those new golden arches weren't producing

enough gold. Today, McDonald's major initiatives focus on the quality of its service, a people-pleasing menu, and cleanliness. That's marketing. Maybe the CEO really gets it. He started on the grill at 16 and never made it to college.

4. "We know our industry. We don't need market research. It's a waste of money." If businesses gave the same careful attention to marketing research as they do to making other purchases, their advertising would be far more successful—particularly today.

The advertising media are in turmoil. Nothing is for sure, even as billions of advertising dollars migrate to Google and other Internet venues. Does it work or is it simply following the current pied piper?

Those who are glibly writing off print advertising could be somewhat premature. The combination of print and electronic may prove to be a winning duo. Many publications are highly innovative, including *The Wall Street Journal* with its very effective new approach to business journalism, both in print and online. The use of instant online alerts by WSJ and other publications is compelling.

Cable's power is just now coming into its own with its powerful capability to deliver programming that delivers viewers.

But nothing is effective if it isn't based on solid research.

5. "Our logo is just fine. Anyway, logos aren't important." A Stanford University graduate student tells of upgrading from a Geo Prizm to a Toyota Corolla. "I felt that I had upgraded my life," he reports. "Here I was in a higher quality vehicle that was more attractive—and no doubt safer."

You don't need to be a Stanford graduate student to get the joke. He was surprised to discover that both cars were made on the same production line in Fremont, California. He points out that only the name—and the brand image were different. "And that, say the experts, is the beauty of branding." He's right.

6. "Why bother marketing? Everyone in our industry is just about alike." Perhaps the most appropriate response to this common rejection of marketing is to say, "I beg your pardon." However, visit a particular industry's trade show. Walk up and down the aisles and ask yourself, "Which companies stand out?" The answer is very few, if any.

By 2003, all the locally owned banks on Cape Cod had disappeared. That gave a former bank executive, entrepreneur, and Cape Cod resident an idea for a commercial bank that was locally owned and managed by Cape Codders. It didn't take long for the Bank of Cape Cod to open. One of the primary roles of marketing is to distinguish one company from another when they all look alike. That's why this new bank will be a success.

7. "Our CEO doesn't believe in marketing." More often than not, the CEO doesn't understand marketing, either. It's easy for some CEOs to feel that they should have all the answers and relying on marketing to help grow a business may seem like using a crutch, a sign of weakness. Apple stockholders are deeply grateful that their CEO, Steve Jobs, doesn't feel that way.

A host of Apple rumor blogs keeps the guessing at a high pitch, particularly before one of Jobs' legendary performances. That's the marketing. More CEOs could benefit their companies by learning from Steve Jobs.

8. "Cold calling is our marketing." Dialing for dollars is still popular. Make enough calls and you're destined to get lucky once in a while. But, as a life insurance salesperson, who had been in the business for more than 30 years, said, "I woke up this morning and realized that I will be doing today what I did my first day in the business—trying to find someone to talk to." There's nothing wrong with making calls. It just works much better if you're known and appreciated by those you call. Again, that's marketing.

9. "We sent out a bunch of letters and didn't get any response. That stuff doesn't work." This deserves to be last on the list because it demonstrates such a monumental amount of marketing ignorance.

Every parent arrives at the brink of despair, having told their sons and daughters hundreds of times to pick up their rooms. Then to their surprise, the offspring emerges one day as the ultimate neatnik.

Marketing isn't about sending out letters (or anything else), it's about touching continuously in a variety of ways until one day, they become customers. Who will be Apple's customer base for its elegant and expensive iPhone? A solid percentage will be among the 70 million people who love their iPods.

Being there when the customer is ready to respond is the key, so that over time the whole becomes greater than the sum of the parts. This is also what it means to build a brand.

Wal-Mart woke up to marketing none too early, but in the nick of time. They've discovered that low prices are only part of the equation and being valued is something quite different but absolutely necessary. That's the marketing story. ■

Agent & Broker Section Seminar at 2007 Annual Meeting and Seminars

Agency Survival in a Changing Environment

Sunday, September 9 • 9:30 a.m. – 12:15 p.m.

The Agent & Broker Section is trying to do something new in relation to the seminar that we are putting on at the Annual Meeting and Seminars in Hawaii. We realize that a significant portion of our section membership and some CPCU Society members who are considering section membership will not be in attendance for various reasons. We have devised a program that invites your participation in abstention because we feel the content will be of interest to many of you.

Log on to our web site, <http://agentbroker.cpcusociety.org> and click on "Hawaii Seminar Outline," and you will find bullet point outlines from each of our distinguished panelists showing the material they intend to cover. We invite you to post on the "discussion board"

your questions on this subject matter, and anything else you feel will be relevant to the topic, at least 30 days in advance of the seminar. Our section committee members will be breaking down the questions into specific segments and sharing them with the panel. We hope to address the issues raised in the "View from the Top" discussion that will follow the panelists' initial presentations. The entire program will be recorded on a low-cost CD that will be available to you through the Society so that you may benefit from the collective wisdom of our seasoned and credentialed panelists.

The seminar panel is composed of four insurance professionals who many of you should recognize. I am listing them in alphabetical order with a brief description.

Don Allen

Founder and current executive director of PIA of Hawaii and past CEO and president of Hawaiian Insurance Guarantee Co. LTD

Anita Z. Bourke, CPCU

President of IMA of Kansas and a past national president of the CPCU Society

Dan R. Carmichael, CPCU

CEO and chairman of the Ohio Casualty Group

Dean L. Middour, CPCU

President and COO of Thoits Insurance Service and is currently serving in his second term as a national governor of the CPCU Society

In addition to the valuable information to be acquired at the seminar, the program will be filed for CE

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Special Interest Sections

Greetings!

Thanks for visiting "your" Website. I call it your Website because if you are a member of the Agent & Broker Section, this site is aimed at you and some of your needs. Even if you are not a member of the Section, the Website should have some useful information for you. There are 655 members of the Section and we are the third largest Section in terms of number of members. We are always in need of additional help, so please join us if you can. The objectives of the Section are straightforward:

Welcome to the CPCU Society's **AGENT & BROKER SECTION**

Agent & Broker provides support to its members on issues related to production, marketing, management and effective business practices.

Upcoming Seminar in Hawaii

"Agency Survival in a Changing Environment"

September 9, 2007

The Agent & Broker section is trying to do something new in relation to the seminar that we are putting on at the Hawaii Annual Meeting. We realize that a significant portion of our section membership and some society members who are considering section membership will not be in attendance for various reasons. We have devised a program that invites your participation in abstention because we feel the content will be of interest to many of you.

Go to [Hawaii Seminar Outline](#) and you will find bullet point outlines from each of our distinguished panelists showing the material they intend to cover. We invite you to post on the "discussion board" your questions on this subject matter, and anything else you feel will be relevant to the topic, at least 30 days in advance of the seminar.

Committee at the Leadership Summit - April 2007, Orlando

CPCU
Destination of Choice

Engineering Exposures to Increase Underwriting Profits

by John T. Gilleland Jr., CPCU and Darlene J. Gipson

Underwriters often refuse applications and policy renewals that could be made acceptable with little effort. This is done in an effort to build a profitable book of business and underwriting territory, the paramount goal of good underwriting. Underwriters who reject more than they accept do not grow their books profitably and encourage their prospects to go to competitors. This is especially true when markets are hard with strict underwriting eligibility/acceptability guidelines. Rejecting applicants and clients coming up for renewals when rates are high is more harmful to growth than when rates are low because rejection during hard markets prevents significant increases to underwriters' written premium totals. This article attempts to encourage and enable underwriters to accept many more applications and policy renewals than they reject, thereby increasing the value of underwriters in our industry.

Introduction

Underwriters (front-line service representatives and desk underwriters) should work to grow their books of business profitably. This means they should find ways to accept more applications and renew more policies than they reject, non-renew, and cancel. They should have production and profitability goals.

Rejecting requests for coverage without making counteroffers is not performance of underwriting due diligence. Underwriters should act as risk management consultants (something a computer program can't do yet) when their customers can be helped profitably. Mutual needs, insurer profit, and insured coverage, should be met as underwriters act with diligence. The diligence that is due includes identifying customers' needs and alternative solutions, selecting what actions should be taken and determining who should accomplish the actions, implementing an action plan,

and monitoring policies' risk exposures. Underwriters' customers may include agents, customer service representatives, insureds, and applicants.

Unfortunately, too many underwriters reject applications assuming agents wanting their applications to be accepted will appeal rejections in acceptable ways. This is not a growth-facilitating paradigm.

Exposure Engineering

Due Diligence

Underwriters should be able to answer the following questions with a high degree of certainty each time they underwrite an account:

- Have all relevant questions been asked and answered about all relevant hazards and subjects?
- Does the initial information indicate the risk is acceptable?
- Can we charge an appropriate rate for the maximum potential risk?
- Do the cons out weigh the pros significantly?
- Is the account's profitability deteriorating?
- Will the insured accept modification of our coverage to reduce our exposure? Or will the insured agree to reduce our risk exposure and follow through?
- Will my response to this unattractive exposure compare well with my previous responses to similar unattractive exposures?

This is one of many sets of criteria to consider using to determine if an underwriter has done his or her job after an underwriting decision was made. Answering these questions favorably should encourage underwriters and clients to successfully serve their mutual interests.

Five Types of Engineering Techniques

Using the preceding logic and following the same sequence, there appears to be at least five ways to make many but not all applications and policy renewals acceptable:

- Loss control (prevention and/or reduction) activities should be considered when an applicant has had multiple losses with strong similarities.
- Appropriate coverages should be purchased from other sources so the underwriter's policy will be positioned secondary to more appropriate coverages.
- Changes to the subject's physical condition should be made to reduce or prevent one or more types of losses.
- Policy premiums should be charged (rated) to take all loss exposures into consideration. Rate integrity should be established and maintained.

Modification of the underwriter's coverage. Endorsing policies at issuance and renewal to prevent unintended coverage should be considered.

Engineering Techniques

The following five scenarios illustrate how exposures can be engineered so underwriters can say "yes" to applicants and renew insureds more often. These scenarios show how unattractive exposures can be made acceptable or at least tolerated by using one or more of the five exposure engineering techniques:

- loss exposure reduction
- addition of risk insulation
- physical condition modification
- policy premium modification
- coverage modification

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The Institutes Launched First in Series of Ethics Education Podcasts for Ethics Awareness Month

The American Institute for CPCU and Insurance Institute of America (the Institutes) recently launched a series of professional education programs in the form of audio "podcasts," or Internet-distributed audio programs. The release coincided with the property and casualty insurance industry's Ethics Awareness Month, which is observed each March.

The inaugural series of Institute podcasts focuses on discussions of professional ethical dilemmas that members of the insurance and risk management industry could face in the course of doing business. Listeners will hear a scenario and then listen to the panelists discuss the ethical implications.

The first program, which is available on the Institutes' web site, is:

School's Out

One good turn deserves another—unless the well-intentioned actions of others make it look like you've done something wrong and place you in an ethical dilemma. Pamela, a talented insurance producer, helped a customer. But the customer's gratitude puts Pamela in an awkward situation.

The second ethics podcast (to be released in May 2007) is:

Ignorance is Bliss

Sometimes, it's better to be in the dark. However, you may learn something that can put you in an ethical dilemma. Phil, an agent trainee, learns something about a client in confidence. But what he knows could impact his agency's business.

The panelists for both ethics podcasts are **Chris Amrhein, AAI**, Amrhein & Associates; and **Mary Ann Cook, CPCU, AU, AAI**, and **Donna Popow, J.D., CPCU, AIC**, the Institutes.

"The Institutes are committed to finding innovative ways to deliver knowledge to risk management and



insurance professionals," said **Peter L. Miller, CPCU**, president and CEO of the Institutes. "Podcasting is especially effective for distributing the Institutes' unique professional education and insights, because many of our students and customers—and other industry participants—are busy professionals who need practical information from us in a portable format."

Miller went on to say, "It is our hope that these ethics podcasts inspire thought and discussion. To facilitate discussion, we set up forums on our web site where podcast listeners can share their thoughts and opinions with other listeners around the country and around the world."

The programs are available for downloading and listening on computers or digital audio players at no charge at the Institutes' web site (www.aicpcu.org). Visitors to the Institutes' web site can also "subscribe" to podcast feeds so that they receive future podcasts automatically; they can also access the podcast discussion forums. Visitors need to click the link under Log On. Learn. on the Institutes'

home page. (Podcast "subscriptions" and forum access are free). The programs are also available at no charge to subscribers through the Apple iTunes Music store (www.itunes.com).

In addition to the two ethics podcasts, the Institutes will release programs on other topics later in the year. Subscribers will learn about new releases automatically.

Podcasts are digital audio or video recordings distributed using Internet technology. Visitors to an organization's web site can download podcast programs for review on their desktop computers, or synchronize them with a portable digital media device. Software programs called "feed readers" or "podcatchers" allow users to "subscribe" to podcasts at no cost and receive new programs in a podcast series automatically. ■

About the Institutes

The Institutes (the American Institute for CPCU and its companion organization, the Insurance Institute of America), are independent, nonprofit organizations offering educational programs, professional certification, and research to people who practice or have an interest in risk management and/or property-casualty insurance. The Institutes offer the CPCU professional designation program; associate designation programs in areas such as claims, risk management, underwriting, and reinsurance; introductory and foundation programs, and online courses. More information is available at www.aicpcu.org.

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Storybook Landscapes Along the Rhine

by Veronica M. Molloy, CPCU, CIC, ARM

Editor's note: Ronni was a first time traveler with the CPCU Travel Program, which sponsors an annual travel adventure to prime destinations around the world. There were a total of 42 CPCUs and guests that made this trip in March, 2007 to see the Storybook Landscapes along the Rhine.

Thanks to the CPCU Travel Program and the sponsoring Senior Resource Section for arranging for such a fabulous vacation! For all of us aboard the **MS River Concerto** with Grand Circle Travel in March this year, we will never forget this other worldly experience. A great trip was made even more enjoyable by having our CPCU group together for the tours, attending a special party in our honor, and making new friends with common interests. It was easy to dine or chat with a CPCU since we made up one-third of the passengers.

We could never have planned to see so much in one trip on our own. There was a perfect mix of expertly guided tours, free time, and cruising that enabled all to enjoy Amsterdam and Germany from many perspectives. The program directors were knowledgeable, friendly, and had great senses of humor. They and the crew catered to our every need. There was so much to take in during "port talks" and city walks. Perhaps reminiscing will bring it all back again.

Amsterdam proved quaint and welcoming. The charm of the canals, windmills, bike-strewn streets, flower markets, and interesting nightlife made it easy to understand why there is such an influx of eastern European and other immigrants. Most residents speak English which made us feel even more at home. Housing is expensive so 80 percent of the populace rents homes or apartments. Many live on houseboats. There are few automobiles since gas is twice U.S. prices. The Smart car is catching on. These are so small they are often left on curbs or sidewalks. Every resident has at least two bicycles and everyone rides everywhere.

There is little crime except for bike violations.

Flowers abound. Houses are clean, full of color, and usually without curtains. Residents are very open about their private lives. Amsterdam is home to the Van Gogh (pronounced Van Gock by the natives) and Rijks Museum (home to Rembrandt artwork). We stared spellbound at the originals remembering the replicas in our school books. Yes, there is a Red-light district and yes, marijuana is legal (sold only in small quantities in "Coffee Shops") but the character of the city is defined more by the friendly residents and the beautiful scenery. This was evidenced in Volendam that was destroyed in 1953 when the Ziederzee broke through the dike, and the town was rebuilt in the original style and as charming as ever, and in Zaanse Schans with its working windmills and cheese factory.

In Enkhuizen, we experienced the best in Netherlands hospitality. Our group separated into smaller sections and each visited a native family. We learned how they lived, where they worked, how they perhaps came from another country, and what they enjoyed most about living in The Netherlands. They treated us with delicious food and drink, stories, and family albums.

Dusseldorf and Cologne (Kohn in German) showed us the true German culture. Dusseldorf, a populated city with 575,000 people. As you view it from the Rhine, you can tell it has long been a highly industrial city. Now it leans toward light industry and technology.

Ford is the largest employer here. There were so many wonderful local pubs; and at one we enjoyed a treat of delicious homemade beer and sausage hosted by our program directors.

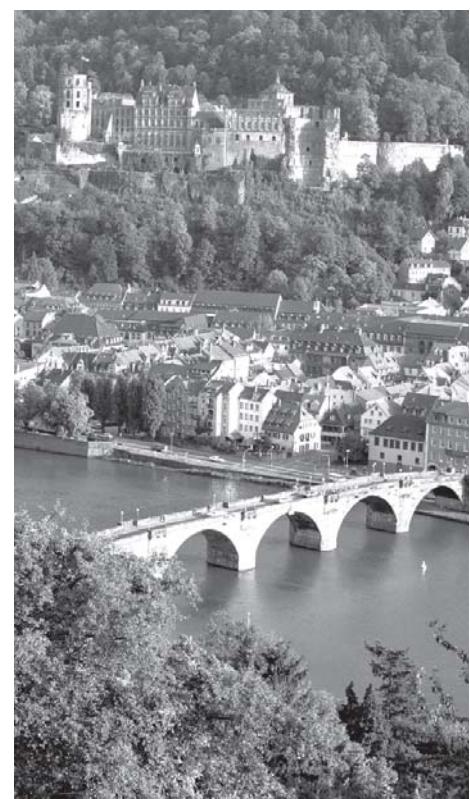
As we know, much of Germany including Dusseldorf and Cologne was almost totally destroyed in the world wars. Surprisingly, the Cologne Cathedral

remained untouched and its magnificent spires can be seen far down the Rhine. Construction began in 1248 in the French High Gothic style and continued for 632 years. Today there is ongoing cleaning to maintain its original patina as air pollution has taken its toll. However, its 67,000 square feet of space, 100,000 square feet of stained glass, 50 different types of stone, 18-foot tall Byzantine cross, and relics dating to the Magi make for a most breathtaking site.

Some of us took an optional tour to Bruehl Castle, copied after Versailles' Baroque style. It was royalty's summer palace complete with acres of topiary maze-like gardens. The pastel mosaic walls and gold leaf-painted dome ceilings are reminiscent of St. Peters Basilica in Rome.

We next sailed to Koblenz, where the Rhine and Mainz Rivers converge. An oversized bronze William I on his horse sits proudly at the meeting point. From here an optional trip for the athletically adept visited Marksburg Castle for a totally

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Storybook Landscapes Along the Rhine

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different experience. Perched atop a steep cobblestone hillside, is the 13th century true "knights' castle." This is the only 13th century castle not destroyed in the war. The three towers, knights' armor room, wine brewery, and open hearth kitchen in their original rawness made you feel as if you stepped back to the middle ages.

Sailing from Koblenz, we sighted the Lorelei. We had read about the siren that lured sailors to their deaths around a sharp curve in the Rhine; but seeing it made it all too real. We made our trip safely. We were in true "castle country" now as we sailed toward Mainz. Castles sat on every hillside and made great picture taking opportunities. It didn't matter that some were partially destroyed. There was little elbow room on the top deck or at the salon windows of our ship.

The town of Mainz we learned is home to the origin of the printing industry via the Gutenberg Press. The Gutenberg museum opened just for our group. The tour was fascinating. Our guide demonstrated the press and showed us some original printings. Mainz is also the home of Richard Wagner and his music and the cathedral of Martin of Tours and St. Stephens Church. This church is one of the oldest. Construction began in 975 and took 34 years to complete. In spite of several fires, its beauty remains and the community still worships here.

Following a final night culinary feast (one of the many) we sailed toward Frankfurt—for some of us our final destination for a flight home. Some extended their stay to see more of Frankfurt and the surroundings. Needless to say, we were all sorry to see it end; but memories and new found friendships will remain in our hearts. ■

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