

Message From the Chair and Vice Chair

by D. Scott Garrison, CPCU, CLU, ChFC, and Carolyn "Cal" Durland, CPCU



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He graduated from Baylor University with bachelor's of business administration degrees in insurance and management.



Carolyn "Cal" Durland, CPCU, is director of member relations at ACORD. Prior to joining ACORD in 1990, she was an underwriter and a field representative for a large commercial property carrier and broker, and earned her CPCU in 1989. She works closely with agents and brokers through the ACORD-User Group Information Exchange (AUGIE), which she facilitates. She has been active with the Westchester, N.Y., Chapter of the CPCU Society as a board member and treasurer, and currently holds the position of vice president. She participates on the 2013 Annual meeting Task Force and is a LOMAN Trustee. She is also vice chair of the Agent and Broker Interest Group.

As we begin 2013, it's important to take stock of what happened last year. There is no doubt that 2012 was one heck of a ride from an agent and broker's perspective. Consider some of the monumental events that happened:

Natural catastrophes struck—We had tornadoes, with winds up to 140 miles per hour, which ravaged towns in the Southeast and Midwest, killing dozens, and generating billions of dollars in losses. Hurricane Isaac, which dumped more rain on the Gulf Coast than Katrina, caused at least \$2 billion in damages. At year end, we had Superstorm Sandy, with losses currently estimated in the \$30 billion to \$40 billion range, making it the fourth largest catastrophe in United States history. Sandy may also be remembered for giving more traction to the climate change issue, as New York Mayor Michael Bloomberg, in the aftermath of the hurricane, endorsed President Obama, saying that the president would be a more effective advocate for legislation to address climate change.

Avian flu fears resurfaced—If we thought the avian flu scare was over, we just experienced a painful reminder with our neighbor to the south, Mexico. Death and sickness there resulted in a disease containment program that had the government destroy some 20 million hens over a six-week period.

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Security breaches continued—One theme of the year was that no government or business is safe. Zappos, the online shoe retailer, fell victim to a security breach that compromised 24 million customer records. LinkedIn's site was hacked, and 6.5 million user passwords were compromised. Meanwhile, governments continued to engage in cyberwarfare. The U.S. and Israel are said to be behind the Stuxnet malware that sabotaged Iran centrifuges used to make weapons-grade plutonium, and a more powerful successor virus is reported to have been unleashed against unknown state sponsors of terrorism. But how soon before such potent technology is used against businesses—and what kind of risk management and insurance strategies will be needed to cope with that threat?

Gun rampages continued—Mass killings with high-powered, military assault weapons continued in 2012 and have already made news in 2013. The murders in Newtown, Connecticut, have prompted a new discussion about gun control (and also led to the filing of a \$100 million civil liability suit). A Florida man claimed his right to self-defense under that state's "stand your ground" law after he killed an individual he said threatened him.

Fungal meningitis broke out—Thirty people were killed in nineteen states in a fungal meningitis outbreak. About 14,000 back-pain sufferers across the U.S. are believed to have received injections of the tainted steroid that started the outbreak.

California allowed driverless cars—California Governor Jerry Brown signed legislation to allow driverless cars on state roadways. Proof of concept was provided by Google, which navigated over 200,000 miles of computer-led driving without incident. Advocates believe that robotic cars will eliminate traffic accidents completely. This development has obvious and huge

implications for road safety, as well as for personal and commercial auto insurance.

Barack Obama was reelected—After a seemingly interminable primary campaign, the election ended, but basically we are right where we started: with a deeply divided, highly polarized government. Deep divisions still exist over healthcare reform, in spite of the Supreme Court ruling upholding the legality of the Patient Protection and Affordable Care Act, and we may see yet again another battle over raising the debt limit. The last time that happened, it resulted in a downgrade of our credit rating.

We point to these events because the beginning of a year is a time for reflection on the previous year. Every one of these events influences our industry and the work that we do for our clients every day. In an increasingly complex world, our clients expect us, as agents and brokers, to make sense of things. Further, they expect us to partner with them and provide the kind of proactive, constructive guidance that can help them maintain their financial and reputational well-being.

We hope you find helpful the ideas shared in this edition, and we look forward to sharing more ideas in 2013. Wishing you all a happy, healthy, and prosperous new year. ■

Message From the Editor

by Bart Shachnow, CFP®, CLU, ChFC, CPCU



Bart Shachnow, CFP®, CLU, ChFC, CPCU, is sales performance director for Zurich North America. He has extensive experience advising individuals, families, and organizations of all sizes on a range of financial planning issues, including those related to property, casualty, life, health, and employee benefit risk management and insurance needs. He has written and lectured extensively on a broad range of financial planning topics. He has a bachelor's degree from the University of Pennsylvania and a master's of business administration degree from New York University.

I recently had dinner with a friend with whom, years ago, I did joint work in marketing group health benefit programs. He was bemoaning the fact that a large source of his income was at risk as the new federal healthcare guidelines, known as the Patient Protection and Affordable Care Act, roll out and the transition is made to state-based healthcare exchanges. Many of these exchanges will provide electronic marketing and sales platforms, eliminating the need for a broker. In addition, under the Medical Loss Ratio component of the law, 80 percent of premiums must go directly to providing healthcare or improving the quality of that care (85 percent for groups with over 50 employees). Only the remaining 20 percent (or 15 percent) can be allocated to administrative and overhead expenses, including marketing and commissions. Agents and brokers have been aggressively lobbying Congress to exclude commissions

from these overhead expenses in order to forestall carrier commission reduction programs. So far, these efforts have failed.

Regardless, I don't think this is a death knell for agents and brokers working in this market. In fact, I believe it's the opposite. Companies are still looking for ways to reduce their benefit costs while using such programs to attract and retain quality employees. They will need help and guidance there. And the voluntary benefit market that can fill in coverage gaps and provide additional individualized medical, healthcare, and savings benefits is exploding. This market will ring up \$20 billion in sales next year and is expected to grow at least 8 percent annually over the next several years.

Yet another area of concern to agents and brokers is the continuing commodification of insurance. Just witness all the TV and radio commercials for personal lines or term life coverages. Again, the "glass half full" attitude should be that this will free up quality agents and brokers to address the more complicated (and profitable) risk management and insurance needs of individuals, families, corporations and organizations of all sizes.

We will continue to offer ideas in this newsletter to help agents and brokers fulfill their critical mission of addressing the risk management and insurance needs of clients in an environment that remains turbulent and challenging. And to those who are concerned that some opportunities may not be as plentiful or profitable as they perhaps were in the past, I would offer this observation by Alexander Graham Bell: "When one door closes, another opens, but we often look so long and so regretfully upon the closed door that we do not see the one which has opened for us already."

This month's edition features the following articles:

Jim Britt suggests we have a "diction confliction" problem—that certain terms that define what we do actually diminish us. He argues for change in our self-perception

and the way we describe our services and activities. For example, the term "producer" connotes selling, or someone who collects a fee or commission, instead of someone who provides value in a business relationship. He most prizes being considered a "client executive" because of the way that title elevates both the client and the value Britt brings to the table.

Stephanie Vance is a former lobbyist and Capitol Hill chief of staff. She has seen firsthand how power, influence, and persuasion are used in Washington politics to get things done. She demonstrates how those same techniques can work in the sale of insurance and risk management products.

Kurt Hines, a senior marketing executive at Zurich, explains why carriers need to be held to a high standard of service delivery for brokers and customers and that agents and brokers should seek new markets if these standards are not being met.

Dave Brock talks about misuse of today's favorite selling phrase, the "value proposition," and how value propositions have become hopelessly generic and virtually undifferentiated. He gives the reader new insights into value propositions and how they can be supercharged to achieve desired results.

Bart Shachnow has a multiline background in life, health, and property-casualty insurance and in employee benefits. He discusses the advantages of life and health agents and brokers teaming up with their counterparts on the property-casualty side.

As always, I welcome your suggestions and ideas for articles in future newsletters. Happy New Year! ■

Diction Confliction: Clearing the Path for a Professional Lexicon

by James Britt, CPCU



James Britt, CPCU, has extensive experience in business development and client relationship management roles, currently as a managing partner at Scarborough and Britt, LLC, and formerly as a managing director at Marsh. Britt is a past president and chairman of the CPCU Society and is the author of *Building Leaders One on One*.

It's time to step back and address the insurance nomenclature, acronyms, and other intrusions that dilute our professional profile.

As CPCUs, we are expected to serve in the day-to-day arena of the industry even while setting ourselves apart through our commitment to the discipline of the designation. Why is it that we allow ourselves to be drawn into the riff raff of diction that tarnishes the business we serve? So now you ask: what could these words be? I contend that the three most destructive words for the agent and broker community are: *producer*, *quote* and *account*. Let's address each.

Sales-Driven Potholes

We all know that growth, especially that evasive organic category of the soft market cycle, is essential for healthy agencies and brokerages. However, how does that equate to calling those in business development and retention a producer? The word producer suggests that the focus is on the receiver of the commission or fee, not the customer. It creates an image of selling, as opposed to one of delivering value. Yes, sales is a dirty word in the ears and eyes of a buyer of insurance and related services. Buyers will respond more readily to a professional who has an image of creating value, even as the relationship is legally consummated with the purchase of insurance.

As CPCUs, we are expected to be focused on others, keeping their needs foremost in our work. I contend that we should embrace labels that reflect this posture for our roles. I had a number of titles, both officer and function-related, in my twenty-four years as an agent and broker. The one I cherished most was "client executive." It favored my customer (or prospect) with the first word, and indicated elevated service intent and authority with the second. Whether your favorite title is akin to mine or something quite different, it should have the following characteristics if it is to break the chains of confliction:

- Applies equally well internally and externally
- Connotes impact beyond the transaction
- Rings a note of professionalism

Am I sounding out of touch with the relaxed pop culture of today's world, which permeates all our institutions? Hang in there with me as I address the other words.

Price Driven Detours

As I navigate numerous agency websites and experience the flood of TV insurance advertising, I am amazed at the predominance of invitations to point and click for a quote. What happened to knowing your prospect and presenting value in the relationship? Have we abdicated all first line underwriting to program formulas that sit behind the point and click scenario?

Throughout my broker season, I often competed with 90-day sprinters who would press their prospects for exposure information three months prior to renewal to provide a quote. I would position for relationship building and discovery in the first 90 days of the program year, often implementing a confidential, pro bono audit report with an aligned service plan in a proposal, rather than in a quote. This typically yielded a B.O.R. letter at mid-program year. The relationship was built on demonstrating value to the prospect and building the trust that the value could and would be delivered. It was a rewarding win-win process of educating the prospect.

Likewise, the client relationship avoided the 90-day chase in the last quarter of the program year. Although there were negotiations with underwriters after preparing an informed and detailed renewal submission, the our team was designated as the sole renewal portal at successive midyear stewardship meetings. That client commitment was based on the value previously delivered, including the price, breadth, and depth of transactional services.

Why do so many buyers today let the underwriting market choose their agent based on winning the low premium bid? Because they do not differentiate the agent from the carrier in delivering a unique service value, and the agents do not do enough to overcome that perception. Let's have "proposal" replace "quote" in our lexicon and our behavior.

The Influence Game and You: What Washington, D.C., Insiders Can Tell You About Selling Services

by Stephanie Vance

Customer-First Wins

Are there personalities with interesting life and business stories behind the ledgers where your insurance accounting transactions are recorded? Hopefully, your answer is a resounding "yes!" But if so, why do so many in our business refer to them as accounts? This label can seem so belittling.

As we work to elevate our diction and behavior, let's move forward to assure that client, or a suitable, worthy synonym, becomes the standard term for the great relationships that are the lifeblood of our work. We aspire to be perceived like other credentialed professional services providers, such as CPAs, JDs, and AIAs. It is more than fitting for us to embrace the relationship diction employed by these professions.

While reflecting on this, consider elevating the labels we place on various agent and broker job positions. Weigh my suggestion of client executive as a preferred relationship leader term, and consider that client service representative (CSR) is well embedded in our current lexicon. I tip my hat to the progenitor of that term, which moved throughout the industry like a Johnny Appleseed of insurance lexicon.

As I Close...

Think about how your diction adjustments may lead those in your professional arena to elevate their own. As we upgrade, our communication clarity will improve and we will also foster a more professional environment. Try it! You'll like it, and so will those in your sphere, both colleagues and clients. In the longer term, these adjustments will move from words to disposition and our work will embrace a more professional demeanor.

John Garber, CSP, SPHR, my friend and faculty associate, summarized the professional lexicon theme well in a recent agency development program:

"Make sure your vocabulary matches your mission." ■



Stephanie Vance, the advocacy guru at Advocacy Associates, is the author of five books on effective advocacy and influence, including *The Influence Game*. A former Capitol Hill chief of staff and lobbyist, she works with a wide range of groups to improve their advocacy efforts.

We all know that risk management-related financial products are "must-haves" for any business or individual. Unfortunately, your customers and prospects may not always see it that way. Selling these intangible services is not like selling a widget; it's about selling the idea of safety and security in an uncertain world.

In the Washington, D.C., lobbying world, we sell intangibles all the time through the great "marketplace of ideas," the United States Congress. The most effective strategies are based on relationship-building and goal-oriented techniques that apply equally well in the marketplace for risk management products and services.

Following are four lobbying strategies that will work for you, no matter what idea you're selling.

Number One: Know What You Want (and More Important, What Your Target Audience Wants)

If you don't know where you're going, you'll wind up somewhere else.

—Yogi Berra

You must know both your goal and your audience's goal before you get started. You may need to reassess as circumstances change, but you won't get very far down the road if you don't have an idea of which road you're on or should be on. That's why, in D.C., we start with knowing what you want, specifically:

- **Set a "SMART" Goal:** SMART goals are Specific, Measurable, Attainable, Realistic, and Timely. In other words, you must know what it is you want, by when you want it, whether you have the internal resources to attain it, whether the external environment makes it possible to attain it, and what the time frame is for a decision (or what you would like the time frame to be).
- **Know the Nature of What You're Selling:** Does your "ask" involve inertia (in other words, you don't want your audience to do something) or action? Is it controversial or easy? Must-do or may-do? Short- or long-term? Knowing the answers to these questions will help you refine your pitch.
- **Know Why the Other Person Might Want That:** "We'd like you to be our customer because we need more sales" isn't all that influential. You must know why what you're asking for relates to what the decision maker may want, not what you want.
- **Don't Waste Your Prospect's Time:** Any salesperson who starts a conversation with "Tell me what your business does" hasn't done his or her homework. By the time you get to a conversation with a decision maker, you must have a basic sense of why what you're selling might be valuable to him or her.

Number Two: Know the Rules

You have to know the rules of the game. And then you have to play better than anyone else.

—Albert Einstein

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The Influence Game and You: What Washington, D.C., Insiders Can Tell You About Selling Services

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In “The Influence Game,” it’s all about knowing the rules of the arena in which you’re operating. The steps you take to learn these rules include:

- **Find your decision maker:** Remember that the actual decision maker isn’t always who you think it is. It may, for example, be a staff person. The key is to identify who specifically needs to hear the message and then focus on that person. Asking the wrong person for what you want isn’t a good use of anyone’s time.
- **Find your Plan B (and C and D) decision maker:** As misguided as it seems, sometimes the primary decision maker won’t agree with you. So you may need to figure out whether there are other ways to achieve your goal and, if so, who makes those decisions. For example, you may not be able to get what you want through one division of a company, but another might be able to get you something pretty darn close. Always have those options in mind.
- **Ask the “and next” question:** I failed miserably at this once on Capitol Hill when I helped draft what should have been a very narrowly focused bill. It wound up being referred to four committees. This is the kiss of death for anything you’re trying to move through Congress. I failed because I had not asked the “and next” question: What happens to this bill after drafting? And after referral? And in the committee? And next? And after that? In the business world, this may mean asking, “What happens after the proposal is submitted? And next? And next?”

Number Three: Know the Sales Messages That Work

“Please give me money” arguments abound in both the political and business worlds. It might be “Please give me money for this wonderful government program,” or it might be “Please give me money in exchange for this wonderful product,” but either way, you’re asking someone to make an investment. These are among the strategies you can use to successfully make your case:

- **Sell ideas, not widgets.** Clearly, lobbyists don’t sell just things or services. They sell the outcome of what those things or services can bring to a legislator’s constituents or the nation as a whole. It’s the same in the business world. I was recently speaking to a group that sells heating, ventilation, and air conditioning equipment. The most successful know they aren’t in the business of selling a compressor; instead, they’re selling temperature comfort (hopefully far more eloquently than that). People want to give money for the tangible fulfillment of a wish or need, not just a thing.
- **Phrase your argument appropriately:** Effective special-interest lobbyists start their pitch with the beneficial outcome. For example, “We seek to improve the lives of population X by providing them with Y benefit. To do so, we’d like an investment of Z dollars from the federal government.” In the business world, it might be, “We seek to increase your business security by providing you with X benefit. To do so, we’d like an investment of Y dollars.” Notice that the argument doesn’t start with “We want Y dollars, and here’s what we’ll do with it.” A compelling articulation of the benefit serves as the hook. Once decision makers are hooked, they are far more likely to cough up the cash.

Number Four: Be Persistent

Eighty percent of success is showing up.

—Woody Allen

The other 20 percent is following up (the Advocacy Guru’s own addition).

- **Know the Difference Between Persistence and Stalking:** You clearly don’t want to become that “Oh no, not her again” person, which is why I’m often asked, “How do I know when I’ve gone too far?” In my opinion, if the decision maker you’re trying to reach has ignored two different methods of communication (perhaps a phone call, an email, and/or a

social media message) twice each, he or she is just not that into you. It may be time to move on.

- **Control the Uncontrollable:** Sometimes, outside events overshadow even the best-laid plans. Don’t try to drag everyone kicking and screaming back to your issue. Instead, figure out whether there’s a way to connect to what everyone else is talking about.
- **Say Thank You: Full disclosure:** I’m horrible at writing thank-you notes. Don’t follow my example. Thank people who’ve helped you in the past. You never know when they might be willing or able to help you in the future!
- **Avoid Failure by Redefining Success:** I can’t guarantee that these strategies will get you what you want every time. However, I can say that if you constantly reassess your goals, particularly as they relate to the external environment, you may find that you’re able to celebrate small victories along the way. Don’t underestimate the value of these successes; they’ll keep you and your supporters going for the long haul.

Perhaps most important, don’t network, “netplay.” There’s a reason D.C. types refer to political “parties”: we like to have fun. Talking with others is not a chore; it’s something special-interest lobbyists enjoy. The best develop positive relationships with people they really like. If you apply this principle, you’ll find that the most gratifying influence successes grow out of friendships. ■

It's All About Service

by Kurt D. Hines, FCAS



Kurt D. Hines, FCAS, is head of sales and performance management for Zurich North America. In this role, he is responsible for sales managing and for directing the sales practices of Zurich's market-facing teams in the broker and independent agent channels. Hines has also been an author, contributor, and speaker on various risk management issues. An actuary by training and a fellow of the Casualty Actuarial Society (FCAS), he has a bachelor's of science degree from the University of Minnesota and a master's of business administration degree from the Wharton School of the University of Pennsylvania.

As one of the major carriers in the commercial property and casualty space, Zurich North America knows our success is predicated upon the agents and brokers who drive business our way. We operate in an intensely competitive environment. Like us, our carrier counterparts in the life and health field offer great products, financial strength, and worldwide resources. So we have to fight hard to win and retain business. We also must realize that that process is ongoing; we can't rest on our laurels, but rather must earn the trust, commitment, and loyalty of our brokers and customers every day.

A critical difference maker for us is the service we provide to our agents, brokers, and customers. In that spirit, I would like to suggest some standards you, as an agent or broker, should expect from your carrier. At minimum, they should include:

Effective and timely communications:

Underwriters and other carrier representatives should be expected to:

- Return voicemails and emails within one business day.
- Apply a personal touch by calling or meeting you directly rather than always using (and even hiding behind) emails.
- Deliver difficult messages, such as when the carrier cannot write the deal, as early as possible and with a complete, well-reasoned explanation.
- Find ways to be accessible, even when the representative is out of the office. It is hugely frustrating for a broker when he or she cannot reach the underwriter, claims manager, or other critical carrier representative when a customer has important coverage questions or is facing a crisis.
- Be very clear about the carrier's underwriting appetite. Carriers frequently send mixed messages to brokers about their real underwriting appetite. When the agency spends time putting together a package that they believe meets those standards, it leads to disappointment when the carrier does not come through. Many carriers employ a coded system that gives brokers better guidance. For example, some risk classes may be "green lights" (eager to write), "yellow lights" (more difficult or marginal; business must meet certain criteria to qualify), or "red lights" (cannot write under any circumstances). This type of guidance can be extremely helpful.

Broker and customer centricity:

Underwriters and other carrier representatives should be expected to:

- Be punctual for all meetings, whether they be in person or on the phone. Everyone is busy these days, but a commitment to making a meeting on time while also respecting any time constraints faced by the distributor is crucial. We realize that time is money, so an underwriter or a

carrier representative needs to be prompt, diligent, and productive in the time spent with you.

- Be prepared, with a purposeful, clear agenda reviewed with and agreed on by you in advance of the meeting. He or she should take a proactive role in anticipating your needs and identifying ways to help you succeed in the marketplace.
- Listen more than talk. We all have two ears and one mouth. This reflects the proper ratio of time spent listening to time spent talking that I believe an underwriter or carrier representative should maintain in most circumstances.
- Be a positive source of support in customer meetings. Underwriters and other carrier personnel need to plan and coordinate in advance so that customers come away from the meeting impressed by, comfortable with, and confident in their risk management and insurance team.
- Work well with other advisors; carrier representatives need to be team players. You should expect that they are able to demonstrate competence in communicating with you, the client, or advisers to your clients, including but not limited to attorneys and accountants.

Business Retention and Development Support

- Underwriters should come fully prepared to discuss your new business prospects and upcoming renewals with a view toward providing substantive ideas for helping you be successful. Underwriters should also be prepared to talk about the status of recent submissions under the jurisdiction of the broker, any meaningful updates, relative potential for success, and any possible underwriting impediments, and be armed with suggestions for how those impediments can be successfully overcome.
- Production goals are important; you can't manage what you can't measure. But too often, production goals are structured to benefit the carrier, not the agency. The

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It's All About Service

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carrier should be focused on what it and its representatives can do to understand the agency's goals and strategies related to those goals and then demonstrate how the carrier can be a collaborator with the agency in helping to accomplish those goals.

- Carriers need to be creative with tough or complex cases. It's easy to say no; you should be looking for carriers that think, "How can I make this work in a way that provides solutions for the client while maintaining their underwriting integrity?" Finding a viable solution for all parties is much more achievable than I think most of us realize.

Indeed, these standards are demanding, and we should all work hard to meet them. While they are tough, they are necessary in order for us to solve the very difficult problems and challenges our customers face. If your carrier is not meeting these standards, do not settle; consider other carrier alternatives. You, and your customers, deserve it. ■

Moving From Value Creation to Value Co-Creation

by Dave Brock



Dave Brock is president and CEO of Partners In EXCELLENCE, a global consulting company that helps clients achieve improvements in engaging prospects and customers. He was an executive at IBM and Tektronix and has also founded several successful start-ups in enterprise software and web-enabled tools.

Brock is a thought leader in sales and marketing, helping organizations ranging from Global 100 corporations to start-ups and individuals. His blog, *Making A Difference* (<http://www.partnersinexcellenceblog.com>), is one of the top sales and leadership blogs in the world. He is a frequent speaker and has been published in *The Wall Street Journal*, *Business Week*, *Forbes*, and many other publications.

As sales people, we have been drilled and drilled in "value propositions." Over time, our conception of value propositions has changed—as it should have. Value propositions used to be generic statements (usually generated by marketing) about our products—things like "best quality," "richest functionality," "highest performance," and so forth.

At one point, now decades ago, these generic value propositions became meaningless and undifferentiated as everyone started making the same claims. How were we to set ourselves apart? By the way, too many companies are still stuck in this mode!

In the past fifteen to twenty years, we have adopted the view that "value is in the eye of the beholder." Sales people are now trying to understand what customers value and present solutions in that context. Marketing

provides tools to help salespeople do this, whether in the form of questioning guides, justification guides, or other tools. This will continue to be important. Rather than generic value statements, we focus on specifics relevant to the customer—each individual involved in the decision-making process. We also focus on quantifying and justifying the impact of our solutions in terms relevant to the customer and what they are trying to achieve.

While this approach is not new, too many organizations are not doing this. There is still tremendous opportunity to have an impact in this area.

In the past three to five years, we've started seeing the early stages of a much richer approach. A few organizations and thought leaders are starting to recognize the importance of value creation. This shift both is profound and important. Value propositions have focused on the value our solutions will create for the customer—solving a problem, helping address an opportunity, reducing cost, improving customer experience, improving profitability, increasing market share, and so on.

Value creation focuses on how we help the customer buy. I like to call it "the value we create in the process." It could start with an insight, a challenging idea, or a provocative approach. Ultimately, it's about getting the customers to recognize and commit to changes that improve their ability to achieve their goals.

It continues by positioning the selling team as facilitators to the buying process who help the customers to buy—how do they organize and align themselves, how do they manage the change within their own organization, how do they establish their priorities, how do they make a decision? It moves through the sales process to implementation and helping the customer achieve the results they seek.

We focus on how we create value in each exchange we have with the customer.

In many ways, value creation is the most sustainable differentiation a salesperson or an organization creates. Products come and go. We may be superior today, but tomorrow a competitor might release a new product that offers better value. The day after, there could be something else.

We can only succeed in value creation by being intensely customer centric. Without deep engagement in the entire customer buying and implementation process, we can't maximize value creation.

Value creation is about our people, how we work together, and how we work with our customers. It is currently the most sustainable differentiation we can have in competing for our customers' business. It is easy to copy and improve on products; it is difficult to copy what we do, how our people work with and engage our customers. Sure, competitors can hire people away, but that's just a person. Value creation works only in a culture of extreme customer centricity. What's important is the way our people and organization put everything together and how we engage the customer through the entire process.

So, value creation is important. Very few organizations and individuals are doing this well or consistently, but every day it improves. To be a little crass, we don't have to do a whole lot, since most organizations are still prisoners of the generic value proposition era. Just thinking, before each sales call, "What value will I create for the customer in this call?" is doing far more than most.

But we are on the cusp of a new era of value creation. It's referred to as value co-creation. While value creation is one directional—we create value in the customer's buying process—value co-creation is a two-way process that can even be multi-directional.

Value co-creation moves from teaching the customer to learning from each other. It leads us to leverage our individual and shared experiences together, creating something that we could not have produced separately or in the traditional ways I've spoken of earlier in this post.

One way to better understand value co-creation is to consider synergy. Synergy was one of those \$100 words consultants used a long time ago, but the concept, in its simplest form, is to create situations of enhanced value where $1+1=3$ (or more). Its premise is that, by truly collaborating, we can produce a better result than by working independently. In the context of what I have written so far, we might think:

- Generic value propositions: $1+1=1$ (well, maybe a little more)
- Value propositions specific to what customers value: $1+1=2$
- Value creation: $1+1=3$
- Value co-creation (as I hope we will discover): $1+1=10$ (or much more)

Value co-creation is tough. It requires a much different and richer customer engagement/experience model. As a consequence, value co-creation, at least for the next few years, is probably best applied to very select cases (which we can learn from).

Value co-creation requires deep alignment between partners. This alignment can be expressed in the following formula:

$$(SV)^2 \times (SR)^3$$

Expanded, it means: (shared vision x shared values) x (shared risk x shared resources x shared rewards). It should be noted that shared might not mean equal, which enables small organizations or individuals to co-create with giants.

Currently, we see value co-creation in very rich strategic alliance and partnering relationships. There are increasing numbers of organizations doing this very well—



but these are usually separate from the mainstream sales focus. Over time, we will see these practices become an important part of our customer experience and engagement strategies.

Companies focused on customer-experience management—from prospect through the entire life cycle—are starting to incorporate elements of value co-creation.

Social business will force more organizations into incorporating value co-creation into their customer engagement and experience models. Social media will also force organizations to look at value co-creation in their supplier, vendor, and procurement models. Customers and suppliers are on the precipice of entirely new relationships.

Social networking will extend value co-creation from just the customer and us to the community at large. This in turn will accelerate the ability and need for more organizations to move into value co-creation with our customers.

The ability to co-create with our customers requires that we first co-create within our own organizations. We must move beyond silos to working as fluid teams, building teamwork and collaboration as a core competency within our own organizations. ■

Team Up With a Life and Health Agent!

by Bart Shachnow CFP®, CLU, ChFC, CPCU

(See bio on page 3.)

It never ceases to amaze me that there is not more collaboration between life and health (L&H) agents and brokers and their counterparts on the property-casualty (P&C) side of the house. Yes, there are those with both licenses (as well as the major professional designations for both classes of insurance), but they are relatively rare.

There are many reasons for this. Many come into the business through family connections that were focused on one type of business or the other. Also, the sales culture that characterizes each is radically different. About 75 percent of P&C products are purchased because of a requirement* that is either statutorily based (e.g., worker's compensation, auto insurance) or commercially based (your bank requires certain P&C coverages as a precondition to a loan). The sales process in life, health, and employee benefits, by contrast, generally lacks that "mandatory" component.

Some agents and brokers are more suited by temperament to either the P&C or L&H sales culture. I have also known individuals from both sides to adopt an attitude of superiority. Some life and health folk believe that their unique challenges require more sophistication (especially because many sales require consideration of personal, tax, and estate planning), while some P&C folk make the same claim (especially as their work entails complex business sales in which many lines of insurance are involved).

Certainly, many P&C and L&H agents and brokers have linked up, either on a formal or an informal basis. But opportunities abound to expand these relationships, and doing so will work to the ultimate benefit of the consumer.

However, it somehow became common practice for P&C and L&H issues to be addressed separately, as if there is no connection or interrelatedness. This attitude works to the detriment of all concerned, insured and agent alike.

Individuals, organizations, and businesses of all sizes face a variety of risks. These risks include the usual suspects of fire and theft, as well as emerging loss exposures like invasion of privacy and even the threat of kidnapping, both in the US and abroad. Much discussion has taken place over the last few years about enterprise risk management (ERM), but only as it pertains to large organizations. The concept applies equally to all enterprises (even one as small as the family unit). Accordingly, the need for P&C and L&H agents to collaborate is even more important. And such collaboration should involve more than a phone call with a referral. Joint meetings should be planned and executed in which a broad range of needs are discussed.

Natural areas of collaboration abound:

C-Suite meetings—Meetings with senior executives about closely held corporate ERM needs might involve a discussion of directors and officers coverage led by the P&C agent. That same discussion can segue naturally into a conversation about buy-sell related needs led by the L&H agent. Of course, liability exposures faced by directors and officers is increasing for organizations of all sizes. Directors and officers coverage is one vehicle to address this exposure. Properly structured, it can also help attract and retain key executives, as can various qualified and nonqualified benefit programs. Busy executives would appreciate having a comprehensive discussion that addresses all these issues at once.

Employee benefits—Employee benefit programming is a particularly hot topic, because employers want to maximize the value of these programs as a recruiting and retention tool while keeping costs low. The continuing trend in benefit programs is to shift costs to employees through voluntary products and defined contribution plans. But the discussion of employee benefit planning should take place in the context of fiduciary liability exposures and related risk management and insurance solutions.

Exposure overseas—Many companies are looking to expand overseas, and P&C coverages are the usual default option that they focus on first. But it takes a qualified expert in life, health, and employee benefits to design a program that can provide benefits that meet a range of objectives. Those objectives can involve ensuring that benefits the executive takes overseas mirror what he or she is leaving behind in the US. Alternatively, the benefits can be richer in order to motivate a foreign tour. Of course, conventional family needs will have to be addressed, like health insurance. "Outside the box" needs, such as kidnap and ransom insurance for a son or daughter of an executive doing charitable work in a foreign country, might also have to be addressed.

These are just a few examples of work that P&C and L&H agents should do together, not on a referral basis, but as part of a mutually beneficial collaboration. ■

*Source: CPCU Society

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