Personally Speaking

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Greetings from the New Chairman

by Daniel L. Blodgett, CPCU, ARM

Daniel L. Blodgett, CPCU, ARM, is an auto business analyst in the Systems Department of State Farm's home office in Bloomington, IL, where his specialty is personal lines auto insurance and related systems technology. He recently began serving a three-year term as chairman of the CPCU Society's Personal Lines Section Committee. He is currently on the Board of Directors of the Society's Central Illinois Chapter; and is a past president of the Society's Southwestern Michigan Chapter. Blodgett has earned the CPCU and Associate in Risk Management designations.

Setting the Mission and Guiding Commitment

The honor of having been appointed chairman for the next three years is mine, and I look forward to new challenges along the way. Fortunately, I'm blessed with a fantastic group of volunteer leaders within the Personal Lines Section Committee. As a committee, we have the opportunity to create educational programs and work to benefit CPCUs all over the country, in particular our Personal Lines Section membership—you!

The Mission—And We Definitely Chose to Accept It

Recently, your committee created a "Personal Lines" mission statement to ensure we focus on your needs. It does not override the Society's mission; rather is intended to enrich and support it.

Personal Lines Section Mission

Our mission is to educate professionals in all aspects of personal risk management, to create and disseminate knowledge, and provide expertise to CPCUs and others.

We do this through research and program initiatives emphasizing high performance, functional expertise, and practical experience.

Speaking of enrichment, as a committee we challenge ourselves to be innovative in providing more value to you, our membership. One of the first steps for our team was to finalize our mission statement. Next, we are focusing on committee member commitment, and my expectations as a high-performing team. During a section leadership luncheon in Atlanta, outgoing Society President

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What's In This Issue

Greetings from the New Chairman

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Donald J. Hurzeler, CPCU, CLU, said that we don't pay CPCU section volunteers—not because they are without value, rather because we are ***priceless.*** I couldn't agree more. Being a volunteer for any aspect of life, personal or business, takes a willingness to commit to the goals of the team, and the rewards we derive are the pride in being part of something that puts others' needs above our own.

Consider National Service

I encourage each of you to consider national service with the Personal Lines Section Committee. *"Why should I?"* Well, besides honoring your CPCU designation commitment to serve, this committee is a lot of fun.

- It allows you the opportunity to help fellow CPCUs (and yourself) to be aware of current issues in our industry.
- It is also a great networking opportunity, both business and personal.
- It's an excellent opportunity for individuals looking to increase their involvement in the CPCU Society with aspirations of playing a leadership role in their chapter.
- It will provide the developmental opportunity for leadership, both in and outside of the office environment.

If you've done it before with another committee, why not re-up and let us gain from your experience?

The Personal Lines Committee "Commitment"

If you are looking for leadership opportunity via national service, especially with the Personal Lines Section, here are my expectations:

1. Know our mission statement and be able to repeat it to others. We are serious about providing value to Personal Lines Section members.

2. Make every attempt to attend the Annual Meeting and Seminars and mid-year Leadership Summit meetings. Building strong relationships for high-performing teams need face-to-face contact.

3. Bring at least one idea to our annual and mid-year meetings. Our committee has a reservoir of excellent suggestions to draw upon each year and it needs continuous replenishment.

4. Be open to the ideas of your peers, and encourage each other in the spirit of teamwork. A high-performing team stays positive, respectful, and finds a way to get things done.

5. Foster one presentation per year about sections within your chapter. It only takes a few minutes to verbalize the benefits of sections, and follow it up with a short article in your chapter's newsletter.

6. Take an active role in committee discussions, either in person, via conference calls, web meetings, e-mail, etc. Be active—period.

7. Enlist three new members into Personal Lines Section membership each year. Make the contacts, distribute a newsletter, tell new designees about our mission, show your enthusiasm to place their needs above your own, and watch member enrichment build on its own accord.

Help Us Help You

Please continue looking for good things from our section and let us know if we are, and how we can provide value to you. I'm energized by our group, including four new committee members with varied experience levels. It goes without saying that Dale Halon's three years of leadership set the table for our future success. Thanks, Dale, for staying with our committee for three more years and for your guidance. ■

The CPCU Society's Personal Lines Section will hold its first-ever breakfast meeting at the 2006 Annual Meeting and Seminars on Monday, September 11, 2006, from 7 to 8 a.m.

Save the date and stay tuned for details!

CPCU

CHARACTER & CONFIDENCE

CPCU Society • Annual Meeting & Seminars • September 9-12, 2006 • **Nashville, TN**

Note from the Editor

by Diane G. Baker, CPCU, ARP

Diane G. Baker, CPCU, ARP, works in the field and product operations area of Allstate Insurance Company. Baker serves as the editor of the CPCU Society's Personal Lines Section Newsletter, *Personally Speaking.*

This issue marks our final for 2005, and my final issue as your editor for *Personally Speaking*. I have truly enjoyed serving you through this position. I feel particularly fortunate, however, to have the privilege of introducing your new "co-editors." We have two very capable CPCU volunteers who will take the reins beginning in 2006: **Robert A. Braun, CPCU,** from State Auto, and **Kellie H. Green, CPCU,** Allstate Insurance Co. You will learn more about them in their first issue!

This past year has been a difficult one for many of our customers and our industry. We encountered the most horrific storms in our history. In this issue, we have included two articles that focus on Hurricane Katrina. One is an article that originally appeared in *Insurance & Technology*, and describes the contribution that technology made to claims processing during Katrina. The second article written by **Robin K. Olson, CPCU, ARM, ARP,** summarizes key messages from a seminar at the CPCU Society's recent Annual Meeting and Seminars in Atlanta entitled, "Hurricane Katrina: Lessons Learned."

Daniel L. Blodgett, CPCU, AIM, our new Personal Lines Section chairman, sets the stage for his tenure with an important message about the Personal Lines Section mission and opportunities for service. He also recaps for readers the two seminars sponsored by the Personal Lines Section at the Atlanta Annual Meeting and Seminars, which address two issues that impact our customers: the "senior boom" drivers, and insurance fraud in the personal lines arena.

We have an interesting article from **John Graham** entitled, "Getting the CEO to Get Marketing." Graham shares his viewpoints, and hopefully the article will inspire you to share your own viewpoints!

And lastly, you may recall in our earlier issues we had a discussion about the Richard Petty Driving Experience. We posed a coverage question and heard from several readers. We recently heard from another reader, Richard Smeltzer II, forms compliance manager at Esurance, offering a different opinion. I want to thank Mr. Smeltzer for taking the time to write. It's readers' responses and input that truly make a newsletter live and more interesting to read and reference.

I hope you enjoy this issue, and that you have a happy and prosperous 2006. Thanks again for allowing me to serve you the past four years as your editor, personally speaking. ■

The Personal Lines Section Committee Impact: 2005 Atlanta Annual Meeting and Seminars Recap

by Daniel L. Blodgett, CPCU, ARM

As another Annual Meeting and Seminars draws to a close, I'm once again energized by our Personal Lines Section Committee and other fellow CPCUs. If you were in Atlanta, hopefully you were able to attend one or both of our Personal Lines Section-developed seminars. If not, here's a quick recap that doesn't quite do them justice. I hope to see more of our Personal Lines Section members in Nashville, or maybe even in Honolulu if you're holding out for that Hawaiian vacation!

I was fortunate to moderate our first seminar, which focused on the "senior boom" drivers—our baby boom generation that is quickly becoming the senior boom. The Personal Lines Section's very own **Robin K. Olson, CPCU, ARM, ARP,** started things off for a standing-room-only crowd by discussing research that he had done for his *CPCU eJournal* article, "Senior Driver Issues: Upcoming Challenges and Solutions." Olson set the right tone with a sobering fact uncovered about six years ago from a study in California. The study revealed the biggest fear of our senior population as the fear of losing driving privileges. Survey respondents discussed security issues such as robbery, assault, finances, health insurance, and health concerns for themselves and spouses. However, the number-one fear above all others was the potential to have their license to drive taken away.

Robin K. Olson, CPCU, ARM, ARP, shared findings from his research on senior driver issues.

Karlene Ball, Ph.D., discussed the implications of cognitive vision research. James L. Kirschbaum, CPCU, discussed mechanics of the AARP driver safety program.

Next, **Karlene Ball, Ph.D.,** a professor at the University of Alabama at Birmingham (UAB), went in depth concerning her research on cognitive vision. She defined risk factors, outlined various studies with results, and training to improve cognition. She also provided attendees the opportunity to "test" their cognitive vision via her slide show. Most will agree that the higher levels of the test are difficult. I'm embarrassed to say I've seen the test twice now, and of the four levels of testing, I still can't pass tests three and four!! (Luckily, I ride my bike to work and mainly use public transportation while traveling out of town.)

James L. Kirschbaum, CPCU, anchored our program by providing insight on the AARP Driver Safety Program, as well as offering well-timed jokes aimed at the older generation. Kirschbaum can get away with politically incorrect jokes, you see, as he is 80 years old, been married 58 years to his lovely wife, and is a former past president of the CPCU Society. He's retired from a long and distinguished career in the industry, including being the CEO of two companies. This entitles him to use whatever means available to infuse humor to the program, and our attendees (the room was packed to capacity) were pleased with the program.

Our second seminar was directed at insurance fraud in the personal lines arena. Our section's own **Dale M. Halon, CPCU,** moderated a panel of experts who examined the social versus business clash of collecting personal data.

John G. DiLiberto, CPCU, CLU, ChFC, began the program with an excellent background describing our industry's basic constraints of using personal data for underwriting or renewal processing—including regulation like Fair Credit Reporting Act (FCRA) requirements. DiLiberto, the vice

president at Island Drafting & Technical Institute in Amityville NY, talked about "soft-fraud" or claim exaggeration or underreporting driving mileages, etc. In his opinion, the public at large fears unfettered underwriting if there is too much data at hand by which to underwrite insurance.

Keith E. Toney, vice president of insurance analytics for ChoicePoint, provided background of the use of different types of underwriting data, including CLUE, current carrier, MVR, Additional Driver Discovery (ADD), credit, and coverage verification. The data comes from many resources such as the DMV, financial institutions, and insurance databases for declaration pages, losses, etc.

Our section's **Roger French, CPCU,** had obtained a DVD from the Coalition Against Fraud, which was viewed by the nearly 60 attendees. French had also obtained dozens of various anti-fraud brochures, which were available for attendees to take with them. The video focused on the penalties of committing fraud and how many billions of dollars it costs the industry each year.

Eric C. Nordman, CPCU, CIE, a director of research for the NAIC, completed the final leg of the seminar. Nordman discussed the regulatory system's opinions and concerns with the use of underwriting and rating data. He also provided an overview of the information and tools used by the NAIC to combat fraud—including special databases used only by the NAIC to compare suspected "bad guys" between states, etc. Nordman gave us a glimpse into the future concerning new systems and databases for reporting fraud, to be used by consumers, agents, and insurance companies. He also gave a brief update on fraud prevention with this season's hurricanes.

I couldn't be happier with the success of these programs. Through the hard work and dedication of our committee members, we succeeded in getting our "career in gear" in Atlanta. ■

■ *Fellow panelists Dale M. Halon, CPCU, Eric C. Nordman, CPCU, and Keith E. Toney ponder the implications of statistics presented by John G. DiLiberto, CPCU, CLU, ChFC.*

Hurricane Katrina: Lessons Learned

by Robin K. Olson, CPCU, ARM, ARP

Editor's Note: The following article was written and sent to us by Robin K. Olson, CPCU, ARM, ARP. Olson is a member of the CPCU Society's Personal Lines Section Committee. This article is copyrighted by IRMI and is reprinted here with permission.

I recently attended the CPCU Society's Annual Meeting and Seminars in Atlanta. One well-designed seminar, "Hurricane Katrina: Lessons Learned," was very thought-provoking. It consisted of several panel members who provided their unique perspectives about this catastrophic event.

James D. Klauke, CPCU, an executive general adjuster for Crawford Technical Services, spent considerable time handling claims in the affected area. He remarked that one of his biggest challenges pertained to the extensive driving he faced each day to reach the devastated region. According to Klauke, FEMA snapped up virtually all of the available hotel and motel rooms within 100 miles of the area. Thus, he had to drive 100 to 170 miles one way just to reach his first property. Because of heavy traffic and lane closures, this drive could take up to three hours. Klauke commented that "one lesson from this experience is that FEMA should have an insurance professional involved when planning for these catastrophic events." Without these extensive commutes, he said, more checks could have been issued to insureds in a timely manner.

Another panelist, **David Thompson,** with the Florida Association of Insurance Agents, worked with agents in the adjusting process. He remarked that his biggest challenge with catastrophe duty concerned the lack

of electricity, and that preplanning for generators is essential. He provided many striking photographs of damaged property. One photo showed a "wind-resistant" home that was relatively unscathed beside a standard home, which was devastated. Thompson said that one lesson learned was that "tougher building codes really do work."

Jim Wills, a director of commercial restoration for ServiceMaster Clean, discussed the importance of preloss planning for catastrophes such as Katrina. He remarked that it was vital to properly plan for "evacuation procedures, plywood, letters of access into the community, and rental cars." Because so many street signs were destroyed, he said that one lesson learned is for adjusters to rent vehicles with global positioning systems.

Millicent W. Workman, CPCU, CPIW, the 2005–2006 president of the CPCU Society and the moderator of the panel, said that these "lessons learned" applied to all types of catastrophes, not just to hurricanes, because "they all contain the same core issues." ■

Mean Season

by Anthony O'Donnell

Editor's Note: This article originally appeared in the November 2005 issue of *Insurance & Technology* and is reprinted here with permission. This article includes reporting by *I&T*'s Maria Woehr and *InformationWeek*'s Charles Babcock.

With the early arrival of Category 3 Hurricane Dennis on July 10, 2005, speculation arose as to whether this hurricane season might be even worse than the 2004 season. That speculation was rendered moot by Hurricane Katrina, whose total insured losses have been estimated as high as $60 billion, surpassing the $21 billion in losses caused by 1982's Hurricane Andrew and the estimated $32.5 billion caused by the man-made catastrophe of September 11, 2001, combined. Figures as high as $125 billion have been cited for overall economic loss caused by Katrina, dwarfing the effects of Hurricane Rita, which made landfall September 24 and caused up to $7 billion in damage.

The damage caused by Katrina overwhelmed relief efforts, especially in New Orleans, where the post-storm breaching of levees caused widespread and devastating flooding. Similarly, insurers were limited in their abilities to respond to policyholders' needs. But if the storm demonstrated the limits of man's influence over nature, it also demonstrated the importance of insurers' increasing technological sophistication in not only claims-focused catastrophe management, but also in their abilities to evaluate and respond operationally to a changing risk environment.

Bad PR and Good Citizenship

Even more than the extent of damage and misery caused by Katrina, the storm distinguished itself by the amount of acrimony it generated. In an atmosphere where victimization of people by institutions came to be emphasized over people victimized by nature, the insurance industry was more likely than usual to be viewed as part of the problem rather than the solution. The industry's vulnerability was multiplied by the fact that flood damage generally is not covered by insurance carriers.

It was just as well, then, that the industry responded quickly and generously to the hardships caused by Katrina. Carriers across the board extended grace periods for premium payment, suspended cancellations, and even established relief funds, including the "Big I Katrina Fund," sponsored by Independent Insurance Agents & Brokers of America (IIABA; Alexandria, Va.).

While those gestures demonstrated good citizenship on the part of the industry, it was through the handling of claims that insurers demonstrated their value. State Farm (Bloomington, Ill.; $56 billion in revenue) reported servicing 385,000 property, flood, and auto claims throughout the area affected by Katrina. The carrier's efforts were aided significantly by the deployment of mobile catastrophe units—vans equipped with satellite technology and the capability to provide a local wireless hot spot to enable multiple adjusters and estimators to connect to the carrier's systems.

"We had the ability to communicate with the home office when there was no phone service," says Mark Winland, director, claims automation, State Farm. "We could write advance payment drafts to lay the groundwork to help people recover much sooner."

We had the ability to communicate with the home office when there was no phone service.

Allstate Insurance Co. (Northbrook, Ill.; $94 billion in assets) deployed more than 20 satellite-equipped communication vans to link its headquarters systems and approximately 1,500 adjusters sent to respond to customers affected by Katrina, according to Cathy Brune, SVP and CIO. "We are not dependent on a cell phone tower; we can automatically connect from the van to a satellite," Brune says. "The technology makes the adjuster's job less frustrating. The link gives adjusters confidence that they have all the information they need" for a quick settlement, she adds.

Tim Bowen, project manager, claims, MetLife Auto & Home (a division of New York-based MetLife; $320 billion in assets), says that technology has significantly improved the carrier's speed

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Mean Season

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in responding to catastrophes over the past two years. During 2003's Hurricane Isabelle, for example, the insurer still moved paper files associated with catastrophe claims management. "With Isabelle, we were FedEx-ing paper files from the coast, through a review process, to a central reporting area," he recalls. "We were losing days when it came to servicing customers."

Now, the carrier's all-electronic response begins with the dispatch of adjusters. The claims team gets a feed from underwriting showing the numbers of policies by county and zip code. "We're able to extract data through Cognos' (Burlington, Mass.) Impromptu (reporting software) and dump it into (Microsoft) Excel and then import it into (Microsoft) MapPoint to determine how we want to position staff and independent adjuster resources," Bowen explains.

Field operatives are aided by Magellan's (Santa Clara, Calif.) 700 series GPS navigation system, whereas previously they used paper-based map books, according to Bowen. "This has helped us quite a bit because for this event we're dropping folks from all over the country into Mississippi, Alabama, and Louisiana," he says. "And even if some are familiar with the territory, many of the street signs are gone."

MetLife also has standardized on Los Angeles-based Marshall & Swift/Boeckh's Integra claims estimating system, which nearly all of its adjusters now use. "We actually transmit the claims electronically to some of our vendors," Bowen reports. "The file goes directly to the vendor, and then they push that same file right to the resource on the front line—there's no keying of data."

Additionally, the carrier deploys satellite-equipped vans that are powered by generators and can work at broadband speeds. Further, a large majority of the carrier's field operatives also are equipped with wireless cards and Verizon (New York) EvDO high-speed wireless service.

Financial Disaster Averted

In addition to driving a more expeditious claims process, technology has played an important role in minimizing the effect of an event like Katrina on the fortunes of insurance companies and the industry as a whole, suggests Andy Castaldi, senior vice president, CAT perils, Swiss Re (Zurich; $32 billion in revenue). Katrina will not cause the financial problems and market uncertainty suffered by the industry following Hurricane Andrew, Castaldi contends. "That's because we've all been using CAT models and have a feel for what our exposure will be."

■ ***Within anybody's bag of worst-case scenarios, it was not the levees failing (that was anticipated)—it was a tidal surge going over the top of the levees and causing extensive flooding.***

Castaldi emphasizes that CAT modeling still is a relatively new technology—having first been put to use little more than a decade ago—and can be expected to improve. But the technology is limited by the parameters that are applied. For example, use of the first models was flawed by the erroneous assumption that hurricane damage was caused exclusively by wind. In the case of Katrina, a question arises as to whether the reliability of the levees was adequately assessed. According to Castaldi, "Within anybody's bag of worst-case scenarios, it was not the levees failing (that was anticipated)—it was a tidal surge going over the top of the levees and causing extensive flooding."

In a report entitled, "After Katrina: What Now for the Insurance Industry?" Celent (New York) analyst Donald Light discusses the opportunity for insurers to tap technology to improve catastrophe preparedness in areas ranging from capital adequacy and actuarial to underwriting and claims. Katrina raised awareness about the utility of tools as crude as hand generators—to recharge laptops and cell phones—and as advanced as analytic processing for underwriting. "It's the classic problem," Light observes. "Someone in Bloomington, IL, really doesn't understand the structure of levees, wetlands, piers, and energy platforms 800 miles away unless they have some kind of technology to support them in that." ■

Getting the CEO to Get Marketing

by John R. Graham

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

"What does it take to do good marketing?" This is the question a speaker asked the 50 seminar participants from financial services companies. No sooner had the question been asked when a woman said, "Keep the CEO out of it." Along with laughter, heads were nodding all over the room.

"How can I get my CEO into a marketing mode?" Many a company president would be surprised to learn that I've been asked this question more than any other over the years. It comes from entry-level employees to sophisticated sales executives, from engineers to frustrated marketing directors.

The question is always serious, and the voice more often than not conveys signs of desperation and discouragement. "The president can't see how we're slipping," says a frustrated sales manager. "He thinks the problems are only 'temporary.' He sees us like we were 30 years ago. But nobody knows us today. How can I get him to understand what's going on?"

Then there's the thoughtful and well-educated marketing person who reports that her job is "churning out proposals." This is her boss's "uninformed view of marketing."

Perhaps the most common form of idiocy is a CEO's benighted belief that the role of marketing is to make sales. Instead of looking at the sales force to see if it is following up on the leads generated by marketing and actually closing sales, marketing gets the blame. Far fetched? Check it out by asking any marketing manager.

It's not surprising that CEOs focus on sales. That's what gave them their starts and that's where they were successful, so that's what they see as the solution to the problem. "Make more calls" is their mantra and magic solution to everything.

"I just can't understand how this guy can be so blind," said a confused young marketer at a manufacturing company. "He's on top of so many things but marketing is certainly not one of them."

Those CEOs who are blind when it comes to marketing tend to view themselves as entrepreneurs, and everyone knows that an entrepreneur is an "expert on everything," including marketing.

Marketing can be all but irrelevant to a CEO other than providing "glitzy" sales materials and puffed-up press releases filled with unsubstantiated claims and finessed figures. And under the guise of marketing, there are the countless vendor-funded "events" specifically designed to showcase the CEO as the head duck in a not too large pond.

All that's not marketing; it's bullshit, a technical term brilliantly articulated by Princeton professor Harry Frankfurt in his ground-breaking book, *On Bullshit*, and ably articulated by another academic, Laura Penny in *Your Call is Important to Us*.

Ignorance is never bliss and in the case of marketing it only leads to unsatisfactory results. As the art of attracting and holding customers, marketing is too important to be thwarted and dismissed by ignorance, misunderstanding, and misinformation.

Aside from not having a clue how to move recalcitrant CEOs to see the light and embrace marketing, there are a couple of questions that may be worth discussing:

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Getting the CEO to Get Marketing

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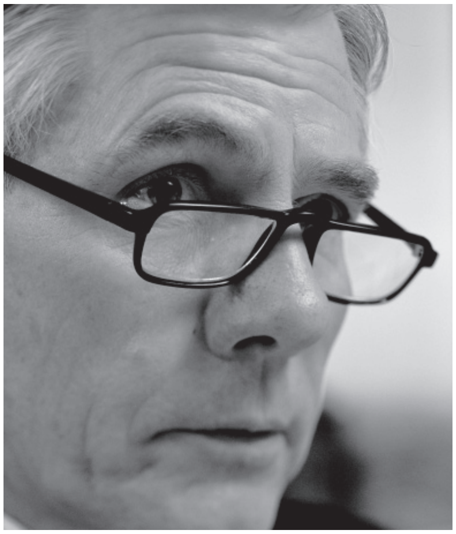
1. **Where does growth come from?** For many companies, it comes from acquisitions, increased prices, and just plain luck. Being able to say, "We're the third largest widget works in the world" floats some boats even though the achievement may be built on something other than growth in actual sales. In the insurance industry, for example, luck plays a key role. Every insurance executive lives for what is called "a hard market"—the increase in insurance rates by insurance companies or the regulators. Higher rates mean higher commissions, which translate into higher revenues, all without raising a finger. Every industry has such gimmicks for pseudo growth.

Getting new customers can be more of an exercise in customer replacement, rather than an activity of growing the customer base.

2. **Why should anyone want to do business with us?** A real estate broker showing an attractive condo regaled prospective buyers during an open house with the virtues of the property. Realizing that none of the visitors expressed an interest, an observer recognized that the salesperson made little or no attempt to discover what the prospective buyers were looking for in a home. Without understanding customer dreams and expectations, how can the salesperson make a sale?

Just because we want to make a sale doesn't mean someone wants to buy. The only reason why anyone chooses to do business with a company is necessarily based on that company's ability to meet customer needs. It's not an accident that Apple's incredible success has come at the moment when it has been rated as "the most innovative company." Apple is about marketing—understanding what the customer wants—not about technology.



So, where does this leave us with attempting to help CEOs recognize the role marketing can play in growing the business? Here are a few thoughts for consideration:

1. **Admit to marketing ignorance.** No one is expected be an expert on everything; we all have our blind spots. And believe it or not, that goes for CEOs, particularly when it comes to marketing.

   Marketing is not about personal preferences ("I don't like green.") or individual likes and dislikes ("Nobody reads mail today."). But it's sometimes shocking to hear a company president display what in other circles would be called ignorance.

   There's nothing wrong with asking questions, and there's everything right about relying on those with specialized knowledge and experience for recommendations. One can certainly hope that the CEO finally sees the light and acknowledges that marketing isn't about the company, but about its customers. It's a difficult concept but one worth fighting for.

2. **Become brand conscious.** As difficult as it is to grasp, marketing is about value to the customer. This is not the ever-popular and ever-irrelevant "value-added" idea, but something far more important and rare. We call it "value-inherent," and it's what sets one company apart from everyone else in the same business.

3. **Stop chasing the competition.** While they appear strong, CEOs are often vulnerable, particularly when it comes to following the competition. They jump around from one sure-to-fail initiative to the next aping competitors. The truth is that competitors are doing the same thing! Just because they are advertising in a particular publication doesn't mean it's effective.

4. **Figure out what's going on.** Far too much money and time are wasted on fooling around with the CEO's "great ideas." Chances are these almost-other worldly insights are "borrowed" from a competitor or another company, but they instantly become the "property" of the CEO. The tragedy is that the entire organization must stop in its tracks and make the useless and unproductive nonsense happen.

On the other hand, it's often difficult or impossible for CEOs to grasp the value of research. They are so committed to "going with their gut" that facts are unnecessary, even irrelevant. If you know everything, then research is borderline ridiculous. Right? It's far too easy to be exuberant, excited, and totally committed to the brilliance of our own untested ideas.

Here's the point. Today's General Motors is the poster company for enterprises where those in charge don't have a clue about marketing. The Big GM blinds them. The ideas of their executives are often far different from those in the heads of their customers.

More than 40 years ago, marketing guru Theodore Leavitt of the Harvard Business School labeled this CEO disease as "marketing myopia." Unfortunately, his insight continues to stand the test of time. ■

Letter to the Editor

Dear Ms. Baker:

I have reviewed the CPCU Society *Personally Speaking*, June 2005 article regarding coverage for the Richard Petty Driving Experience. The responses to the question, "Does an individual have any coverage in case he or she wrecks the car during such an event?" were interesting. However, in my opinion, it seems that by focusing on the Racing Exclusion both respondents may have overlooked one of the most basic provisions of the Personal Automobile Policy.

To illustrate my point, and for the purposes of this discussion, I will reference ISO policies and endorsements as applicable in the state of Florida and the Daytona race track.

For background, the Richard Petty Driving Experience currently operates at more than 20 tracks nationwide, allowing normal folks like us the chance to slip behind the wheel of a 600-horsepower Nextel Cup-style stock car and take it for a little jaunt. The company was founded in 1994 by Petty, driver of the legendary #43 in the NASCAR circuit with 200 career wins on his résumé.

A Nextel Cup-style stock car does not have headlights, brake or taillights, turn signals, mufflers, street-legal tires, horns, air bags, or even a VIN number for registration. These cars are not designed for use on public roads, and cannot be easily modified for such use, which is the central issue to this discussion.

Part A—Liability Coverage, Insuring Agreement of ISO Form PP 00 01 01 05 specifies that:

> We will pay damages for "bodily injury" or "property damage" for which any "insured" becomes legally responsible because of an auto accident" . . . "We have no duty to defend any suit or settle any claim for "bodily injury" or "property damage" not covered under this policy.

Section B of Part A—Liability Coverage, Insuring Agreement, Exclusions reads:

> B. We do not provide Liability Coverage for the ownership, maintenance or use of:
>
> 1. Any vehicle which:
>
>   a. Has fewer than four wheels; or
>
>   b. Is designed mainly for use off public roads.
>
>   This Exclusion (B.1.) does not apply:
>
>   a. While such vehicle is being used by an "insured" in a medical emergency;
>
>   b. To any "trailer"; or
>
>   c. To any non-owned golf cart.

As noted earlier, a Nextel Cup-style stock car does not have headlights, brake or taillights, turn signals, mufflers, street-legal tires, horns, air bags, or even a VIN number for registration. These cars are not designed for use on public roads but rather are specifically designed for off-road, racetrack use and, in my opinion, liability coverage is clearly excluded under item B, 1, b above.

Since the Motor Vehicle Financial Responsibility statutes often override policy language and require coverage, I have confirmed that Florida Statute Chapter 324 Financial Responsibility, Section 324.021 defines a motor vehicle as:

> Every self-propelled vehicle which is designed and required to be licensed for use upon a highway, including trailers and semi-trailers designed for use with such vehicles, except traction engines, road rollers, farm tractors, power shovels, and well drillers, and every vehicle which is propelled by electric power obtained from overhead wires but not operated upon rails, but not including any bicycle or moped.

Again, Nextel Cup-style stock cars are not designed for use on public roads but rather are specifically designed for off-road, racetrack use and are not subject to the requirements of the Florida financial responsibility statutorily mandated coverage, and the exclusion under B, 1, b is statutorily valid.

Similarly, Part B Medical Payments Coverage Insuring Agreement, Section B Specifies:

> B. "Insured" as used in this Part means:
>
> 1. You or any "family member":
>
>   a. While "occupying"; or
>
>   b. As a pedestrian when struck by; a motor vehicle designed for use mainly on public roads or a trailer of any type.

Once again, Nextel Cup-style stock cars are not designed for use on public roads, and no coverage applies.

Correspondingly, Part C—Uninsured Motorists Coverage, Insuring Agreement, Section C, Paragraph 2, Item 5 reads:

> However, "uninsured motor vehicle" does not include any vehicle or equipment:
>
> 5. Designed mainly for use off public roads while not on public roads.

Once again, Nextel Cup-style stock cars are not designed for use on public roads, and during the Richard Petty Driving Experience are not being used on public roads, and no coverage applies.

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Letter to the Editor

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With respect to Part D—Coverage For Damage To Your Auto, the "non-owned auto" provisions would appear to provide coverage. However, according to the frequently asked questions as published on the Richard Petty Driving Experience web site, under the question "What happens if I wreck the car?" it is noted that:

> RPDE inspects each car prior to running every day and makes sure each student understands what they are doing before they climb in the car, so accidents are almost nonexistent. However, in the event of an accident, to summarize the liability waiver every participant must sign before participating, RPDE is responsible for any equipment damage and participant covers any personal liability.

This being the case, there would be no contractual (legal) liability on the part of the participant and subsequently, no insurable interest. As such, no coverage, excess or otherwise, would be provided under this coverage part.

The final coverage issue involves the participant covering any personal liability. Since it is already established that there is no third-party bodily injury or property damage liability coverage, the only remaining coverage issue is personal injury protection, no-fault coverage.

In reviewing PP 05 54 01 05 Personal Injury Protection Coverage—Florida, one will find that Section I Definitions, Sub-Section C, 2 provides that:

> "Motor vehicle" means:
>
> a. Any self-propelled vehicle with 4 or more wheels which is:
>
> (1) Designed; and
>
> (2) Required to be licensed; for use on Florida highways.

Once again, Nextel Cup-style stock cars are not designed for use on public roads, are not required to be licensed (and probably could not be licensed for use on public roads) and no coverage applies.

Since the statutory definitions of a motor vehicle with regard to no-fault coverage and uninsured/underinsured coverage may vary from state to state, it is imperative that they be reviewed relative to the racetrack's location or participant's state of residence. Also, since the Richard Petty Driving Experience is but one of many similar programs, the contract the participant enters into may vary from program to program, and should also be carefully reviewed. There are programs where the participant uses his or her own automobile. Where the participant is operating a street-legal automobile, coverage would likely be applicable.

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