

## Message from the Chairman—Let's Meet the Team

by Daniel L. Blodgett, CPCU, AIM, AIS



**Daniel L. Blodgett, CPCU, AIM, AIS**, is a project manager in the Systems Department of State Farm's Home Office in Bloomington, IL. He started with State Farm in 1990 working various jobs including auto underwriter and supervisor in the State Farm Payment Plan. He is on the Board of Directors of the CPCU Society's Central Illinois Chapter, and is past president of the Society's Southwestern Michigan Chapter. Blodgett has earned the CPCU, Associate in Management, and Associate in Insurance Services designations.

### Who's Who on the Personal Lines Section Committee?

In the last issue of *Personally Speaking*, I wrote about the mission statement and how we are focusing on meeting your needs. Now let's meet the team of insurance professionals who are dedicated to educating, creating, and disseminating knowledge, and to providing expertise to CPCUs and others:

**Diane G. Baker, CPCU**  
Allstate Insurance Company  
Northbrook, IL

**Dale M. Halon, CPCU, CIC**  
Choicepoint  
Westerville, OH

**George L. Bowen, CPCU**  
California Casualty Management Co.

**Robert A. Braun, CPCU\***  
State Auto Insurance Companies  
Cincinnati, OH

**Roger G. French, CPCU, CIC, AU, AIS, ARM**  
Commerce Insurance  
Springfield, MA

#### **Loren Gallogly III, CPCU**

Citizens Property Insurance Corporation  
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#### **Kellie H. Green, CPCU\***

Allstate Insurance Group  
Hudson, OH

#### **Christian J. Lachance, CPCU, CLU\***

State Farm Group  
West Palm Beach, FL

#### **Richard T. Lang, CPCU, AIM**

Bear River Mutual Insurance Co.  
Murray, UT

#### **Roger Lizakowski, CPCU, CLU**

State Farm Group  
Bloomington, IL

#### **Robin K. Olson, CPCU, ARM, ARP**

International Risk Management  
Institute, Inc.  
Garland, TX

#### **Tina E. Weinstein, CPCU, CLU, ChFC**

State Farm Group  
Bakersfield, CA

#### **Phillip B. Weymouth Jr., CPCU\***

Weymouth and Smith Insurance, Inc.  
Wilmington, DE

\* New committee member

I welcome all of our committee members, new and returning, and value their contributions. I also bid farewell to departing committee members Sheryl Bennett, CPCU, Jan Phillips, CPCU, and Kent Schaum, CPCU; thank you for your contributions during your term with our section.

I've asked our incoming editing team of Bob Braun and Kellie Green to shine the spotlight on one committee member with future issues of *Personally Speaking*. Enjoy reading the background of our committee leaders while getting to know them better. They are a great group of volunteers to have on our team. ■

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# Note from the Editor

by Kellie H. Green, CPCU



**Kellie H. Green, CPCU**, works in the product operations area of Allstate Insurance Company, supporting personal lines risk management. Beginning in 2006, she shares editorial responsibility for the CPCU Society's Personal Lines Section newsletter, *Personally Speaking*.

Welcome to 2006! I am excited to introduce our first issue of *Personally Speaking* for the year, and am pleased to have the opportunity to serve as the editor for our newsletter. I will be sharing this role with Robert A. Braun, CPCU, another member of the Personal Lines Section Committee, and we look forward to providing you with a quality newsletter each quarter.

Our mission as a section includes a commitment to educating our members, to creating and sharing knowledge, and to providing expertise to our fellow CPCUs and others. Our newsletter is an avenue for achieving this mission, and this issue specifically has a variety of topics that are designed to support your growth and development.

## Developing Your Industry and Business Knowledge

We have two articles that will provide you with timely and thoughtful information about our industry and some of the key issues that we face.

The first is an article by **Robert P. Hartwig, Ph.D., CPCU**, of the Insurance Information Institute, that provides a forecast for the property and casualty industry based on a survey of Wall Street stock analysts and industry professionals. Even with the record catastrophe losses experienced throughout the industry in 2005, the outlook for 2006 is positive, and underwriting will play a significant role in generating the returns on equity that investors will be seeking.

Our second article focuses on the rapidly growing exposure of identity theft. This article, written by **Robin K. Olson, CPCU, ARM, ARP**, is the first in a three-part series focused on the topic of identity theft, and it contains valuable information about the importance of managing this risk personally.

## Developing Your Skills

Personal skill development is as critical to our success in business as is the development of our industry and business knowledge. We have included an interesting article by **John R. Graham** entitled "Making a Winning Presentation or How to Think Like a Listener," which will give all of us some great reminders about how to effectively communicate our messages with audiences of all types.

## Developing Your Network

**Daniel L. Blodgett, CPCU, AIM, AIS**, our section chairman, introduces us to the members of the Personal Lines Section Committee, and also to a method we are going to use to introduce you more fully to the members of the committee. We will provide you with insights into your committee members by asking them to share information about their career, their CPCU experience, and

other interesting facts. I have "tested" the questions on myself for this first issue, but look for the spotlight to shine on others as the year unfolds!

In addition to the committee spotlight, we have also included information about our section web site—this is another great source for networking and sharing information with fellow CPCUs.

## Developing Your Thinking

Just for fun, we have included a couple of puzzles to challenge your thinking and to really get your brain cells pumping—don't worry, answers are included!

## Developing Your Resources

We will work to include in each issue of *Personally Speaking* various items that you may find of use both personally and professionally. In this issue, we have included an index of the articles shared throughout 2005, information about our section web site, and a thought on leadership to spur your own thinking.

We hope that you find this issue, and all future issues, of *Personally Speaking* to be enjoyable and of value to you. If you have ideas for topics or additional items to include in the newsletter, please share those thoughts with us. ■

# Special Report: Earlybird Forecast 2006

by Robert P. Hartwig, Ph.D., CPCU

**Editor's note:** This article is reprinted here with permission from the Insurance Information Institute, [www.iii.org](http://www.iii.org).

■ **Robert P. Hartwig, Ph.D., CPCU**, is senior vice president and chief economist for the Insurance Information Institute. Hartwig received his Ph.D. and master of science degrees in economics from the University of Illinois at Urbana-Champaign. He also received a bachelor of arts degree in economics, cum laude, from the University of Massachusetts at Amherst. He has served as an instructor at the University of Illinois and at Florida Atlantic University. Hartwig also holds the Chartered Property Casualty Underwriter (CPCU) designation.

Hartwig serves as a media spokesperson for the property and casualty insurance industry, and is quoted frequently in leading publications such as *The Wall Street Journal*, *New York Times*, *USA Today*, *Washington Post*, *Los Angeles Times*, *The Financial Times*, *Business Week*, *NewsWeek*, *U.S. News & World Report*, *CFO*, *Fortune*, *Forbes*, *The Economist*, and many others throughout the world. Hartwig also appears regularly on television, including appearances on ABC, CBS, NBC, CNN, CNBC, Fox, PBS, and the BBC.

## Survey of Analysts Projects Faster P/C Premium Growth, Underwriting Profit in 2006

Each year the Insurance Information Institute invites a panel of Wall Street stock analysts and industry professionals to review the prospects for the industry in the year ahead. This year's survey results indicate an expectation that record catastrophe losses will weigh heavily on 2005's underwriting results, pushing what would have been the industry's largest underwriting profit ever into a loss situation. Analysts expect the industry to spring back in 2006 with a strong underwriting performance sufficient to generate a small underwriting profit. Moreover, the poll also shows that analysts uniformly expect premium growth to accelerate in 2006 to roughly double their estimates for 2005.<sup>1</sup>

## Premium Growth: A Katrina-Inspired "Mini Hard Market"?

The average forecast calls for an increase in net written premiums of 4.7 percent in 2006, up from an estimated 2.5 percent in 2005. The 2006 forecast is a near doubling of the estimated figure for 2005 but is nearly identical to the actual growth figure in 2004. The spike in premium growth in 2006 is a direct result of analyst expectations that record catastrophe losses in 2005, totaling some \$57 billion, have severely crimped capacity and caused insurers to reassess risk in catastrophe-prone regions of the United States. Analysts also expect that demand for insurance and reinsurance will increase even while supply is falling. The resulting supply/demand imbalance, it is reasoned, should spark a "mini-hard market," pushing insurance and reinsurance prices for some types of coverage upward—property insurance and property catastrophe reinsurance coverage in particular. Some analysts believe that hard market conditions could spill over into casualty lines as well (e.g.,

general liability, workers compensation), stabilizing pricing if not pushing prices upward. Commercial property insurance and reinsurance coverage rates had been falling in years prior to Hurricane Katrina, and homeowners insurance rates in most parts of the country were rising by only low single digits.

## ■ *Expectations for a hard market in 2006 are quite muted relative to recent historical growth in premiums.*

Expectations for a hard market in 2006 are quite muted relative to recent historical growth in premiums. Premium growth peaked during the most recent cycle at 14.6 percent in 2002 before dropping to 9.8 percent in 2003. It is also worth noting that premium growth in 2005 will come in well below even the most pessimistic of analysts' expectations from a year ago. In last year's Early Bird survey, the consensus estimate was for net written premium growth of 3.4 percent, and the lowest estimate of the 13 respondents was 1.1 percent, nearly a full point above the current estimate of 2.5 percent. As indicated in the footnote, actual growth in 2005 will likely fall well below even the 2.5 percent estimate, given that recent data show that actual net written premium actual shrank by 0.5 percent through the first nine months of 2005. (See Figure 1.)

## Combined Ratio: Much Better Than It Appears

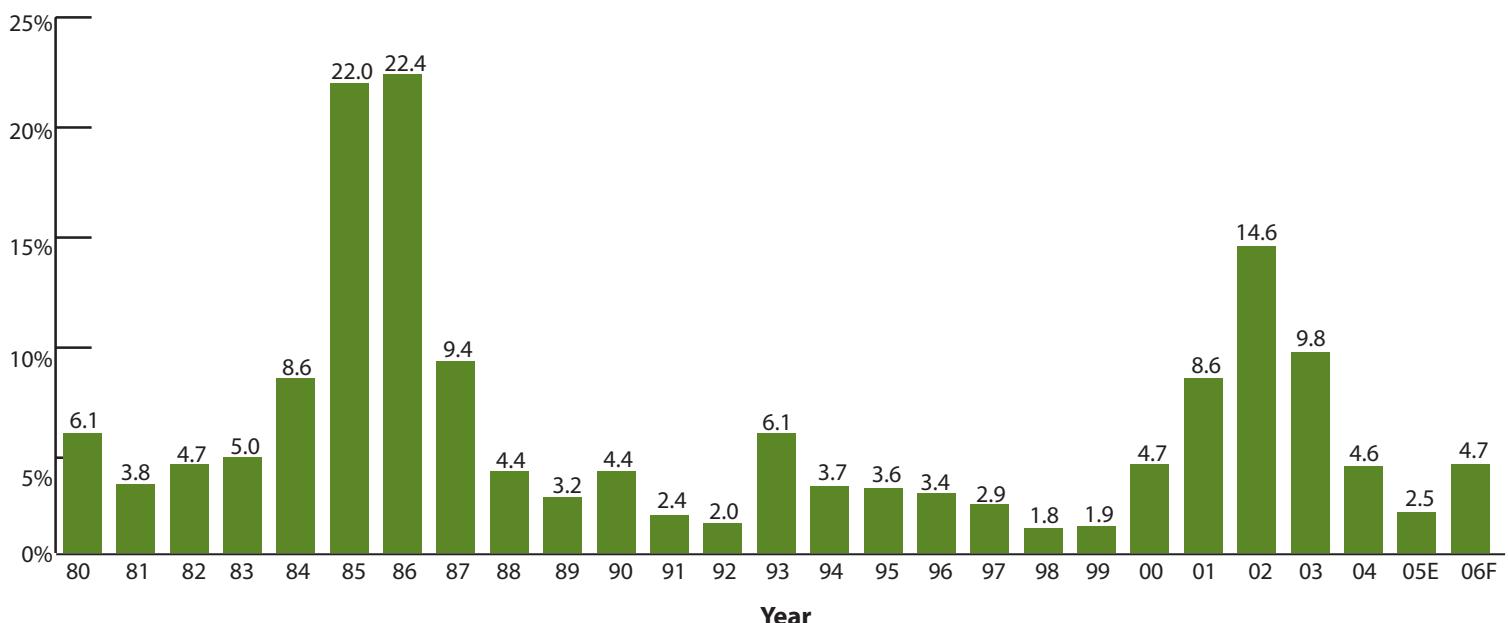
The combined ratio, which is the ratio of losses and expenses to premiums, for 2006, is projected to be 98.0, down substantially from an estimated 105.3 in 2005 but virtually identical to the actual combined ratio of the 98.3 recorded in 2004. However, as noted in the footnote to this report, results released subsequent to the survey were much better than expected, indicating an actual combined

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# Special Report: Earlybird Forecast 2006

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**Figure 1**  
**Net Written Premium**  
**(% Change from Previous Year)**



ratio of 100.0 through the first nine months of 2005, which includes the effects of Hurricanes Katrina, Rita, and Dennis (Wilma occurred during the fourth quarter.) The strength of the actual nine-month results suggests that 2005 will show an underwriting profit for the full year. If the combined ratio in 2005 comes in under 100, it would mark only the second underwriting profit in the property and casualty insurance industry since 1978.

The expectation for a third consecutive underwriting profit in 2006 is, of course, predicated on the belief that catastrophe activity will return to more "normal" levels. Because of the demonstrated resilience of the property and casualty insurance sector in 2005, however, estimates of the 2006 combined could be revised downward, which in the current survey range from a low of 94.0 to a high of 100.3. Were the combined ratio to finish 2006 in the neighborhood of 95, it would be at its lowest level since 1972. While the survey results indicate expected improvements, the bottom line is that the industry will still be paying out almost exactly the same amount in claims and associated

**Considering the tremendous risk assumed by investors who back major insurance and reinsurance companies, these returns are woefully inadequate.**

expenses as it earns in premiums, thereby increasing the importance of generating substantial underwriting profits. Indeed, the 98.3 combined ratio in 2004 produced an ROE of just 10.5 percent while the 100.0 combined ratio through the first nine months of 2005 is associated with a 9.5 percent return on average surplus. Considering the tremendous risk assumed by investors who back major insurance and reinsurance companies, these returns are woefully inadequate. It is clear that Fortune 500-level returns on equity in the neighborhood of 13 to 14 percent cannot be generated without a substantial contribution from underwriting despite the recent rise in interest rates and increases in investment income.  
(See Figure 2.)

## 2006: Looking Relatively Good, But Concerns Are Mounting

What are the biggest potential downside risks for 2006? High on the list are exposure to catastrophic loss, which has superseded loss of pricing and underwriting discipline as the chief concern. Insurers also run the risk of overestimating the impact of 2005's record catastrophe losses on the price and availability of coverage in 2006. Differing views on the scope and intensity of insurer pricing power in the year ahead likely explain most of the disparity among analysts' forecasts for net written premium growth in 2006, which range from 1.1 percent on the low end to 6.5 percent on the high side. The catastrophe factor has greatly overshadowed concerns about pricing and underwriting discipline, the industry's historical nemesis.

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Among major external risks, tort costs remain among the factors that most significantly affect insurer financial performance, despite the passage of the Class Action Fairness Act of 2005 and traction on medical malpractice reform. Asbestos remains perhaps the largest single legislative disappointment for insurers, who generally oppose the government's current trust fund proposal. Terrorism also remains a key concern, despite the two-year extension of the Terrorism Risk Insurance Act signed by President Bush on December 22. The extension, which has a new expiration date of December 31, 2007, pushed considerably more risk onto private insurers, who have consistently maintained that large-scale terrorism events are not privately insurable. For example, individual company deductibles rise from 15 percent of direct earned premiums in 2005 to 17.5 percent in 2006 and 20 percent in 2007. Likewise, industry aggregate deductibles are raised from \$15 billion currently to \$25 billion in 2006 and \$27.5 billion in 2007.

Fortunately for insurers, 2006 will likely feature far fewer screaming headlines announcing investigations into various insurance industry practices such as broker compensation and finite reinsurance.

That being said, insurers will need to come to grips with the very real possibility of a Governor Eliot Spitzer following elections in November of this year.

Table 1 contains the estimates and forecasts of the survey participants.

The Insurance Information Institute's Commentary on the nine-month results can be accessed at: <http://www.iii.org/media/industry/financials/2005firstninemonths/>.

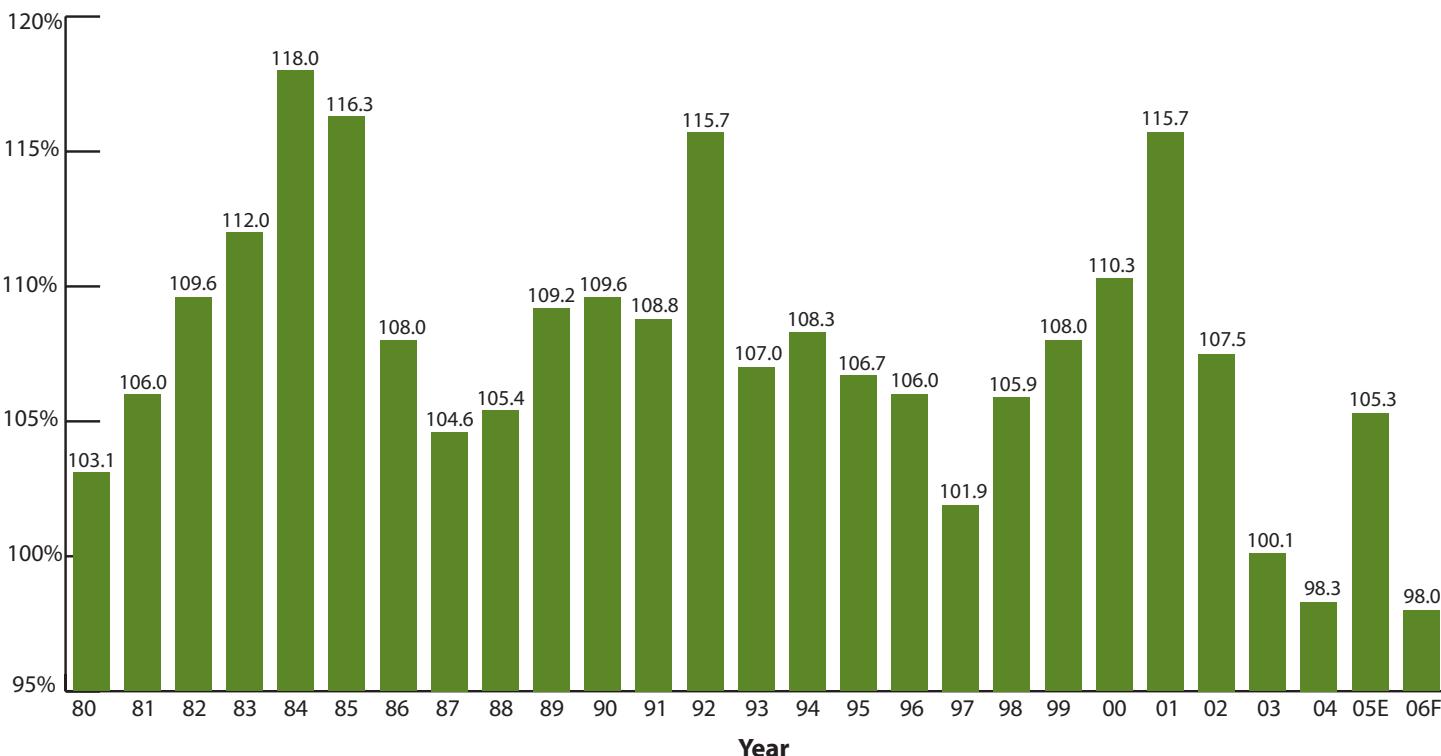
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### Endnote

1. The Earlybird survey was taken in mid-December 2005, before the December 27 release of ISO's nine-month full-industry results, which were much better than expected. Consequently, the analysts polled in the survey, who did not have the benefit of incorporating the actual nine-month data into their 2005 expectations, generally provided 2005 combined ratio and net written premium growth estimates that were well above what the final 2005 figure is likely to be. The ISO actual nine-month combined ratio was 100.0 while premium growth was -0.5%.

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**Figure 2**  
**Combined Ratio (%)**



# Special Report: Earlybird Forecast 2006

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## The Insurance Information Institute's 2006 Earlybird Forecast

**Table 1a**

Net Written Premiums (% Change from Prior Year)

Company	Est. 2005	Forecast* 2006
Firemark Investments	2.8%	6.5%
Langen McAlleney	.0	6.5
Raymond James	2.2	6.5
Standard & Poor's	3.3	6.2
Fitch Ratings	3.2	5.6
A.G. Edwards	2.7	5.0
Gill & Roeser	2.0	5.0
Lehman Brothers	2.3	3.9
Tillinghast	2.4	3.9
Bear Stearns	NA	3.0
Merrill Lynch	2.5	3.0
Conning & Co.	1.3	1.3
<b>Average</b>	2.5%	4.7%

\*Ranked highest to lowest for 2006.

**Table 1b**

Combined Ratio (After Dividends)

Company	Est. 2005	Forecast* 2006
Conning & Co.	103.3	100.3
Gill & Roeser	105.8	99.9
Bear Stearns	NA	99.0
Standard & Poor's	102.5	99.0
A.G. Edwards	110.1	98.0
Merrill Lynch	104.0	98.0
Fitch Ratings	105.5	97.9
Tillinghast	105.7	97.7
Lehman Brothers	110.1	97.4
Firemark Investments	100.2	97.3
Langen McAlleney	107.0	97.1
Raymond James	104.1	94.0
<b>Average</b>	105.3	98.0

\*Ranked highest to lowest for 2006.

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# Identity Theft: A Personal Risk Management Approach—Part 1

by Robin K. Olson, CPCU, ARM, AAM, ARP, CRIS



**Robin K. Olson, CPCU, ARM, AAM, ARP, CRIS**, is the author and principal research analyst for IRMI's newest reference service, *Personal Risk Management and Insurance*.

He contributes articles on personal risk management and auto risk management to the Expert Commentary section of IRMI.com.

Olson received a B.A. degree in economics, cum laude, from Southern Methodist University in Dallas. He is a Chartered Property Casualty Underwriter (CPCU) and holds the Associate in Risk Management (ARM), Associate in Automation Management (AAM), Associate in Research and Planning (ARP) and Construction Risk and Insurance Specialist (CRIS) designations. In addition, Olson serves as an adjunct professor at the University of North Texas where he teaches risk management classes.

Before joining IRMI in 1998, Olson was an underwriting manager for two national insurance companies where his experience encompassed both personal and commercial lines.

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**I**dentity theft is the fastest-growing crime in the United States, according to the Federal Trade Commission (FTC). The odds of having an identity stolen are comparable to having a piece of personal property stolen—pretty amazing for a crime that was nearly nonexistent in the late 1970s. This crime has grown so rapidly that nearly every person in the United States has experienced some type of identity theft or personally knows an identity theft victim.

This challenge facing individuals and families needs to be tackled with a comprehensive personal risk management approach. Risk management is, by definition, a system for treating pure risk—identification and analysis of exposures, selection of appropriate risk management techniques to handle exposures, implementation of chosen techniques, and monitoring results.

A key step in this process is to define and analyze the loss exposure. Identity theft or fraud generally involves the taking of another's identity. Why? There are many reasons, such as to use the other person's credit or to hide the perpetrator's own identity. This first step also involves a close examination of a person's loss exposure level. For example, a person with numerous credit cards has a higher loss exposure than a person with only one credit card. Reviewing the multiple ways that identity theft occurs also facilitates the analysis of the exposure.

There is no consensus among law enforcement agencies, governmental bodies, banks, insurance companies, and security professionals concerning this burgeoning problem. Reviewing

this issue from various angles with a risk management approach is essential in developing solutions. This article focuses on the identification and analysis of the identity theft loss exposure. Part two will deal with risk control techniques, and part three will discuss available insurance and protection plans, current laws, and the need for reform.

## Identifying and Analyzing the Identity Theft Loss Exposure

Not only is identity theft the fastest-growing crime in the United States, it is one of the fastest changing as well. Criminals keep developing new ways to steal an innocent person's identity.

### Statistics

The FTC conducted a five-year study revealing that approximately 27.3 million Americans experienced identity theft during this time frame. Javelin Strategy and Research published a survey in 2005 indicating that within the last 12 months, 9.3 million American adults were victims of identity fraud, resulting in an annual cost to the individuals, businesses, and government of \$52.6 billion.

Another FTC study published in 2005 indicated a 52 percent increase in the number of identity thefts reported to this agency between 2002 and 2004. Credit card, phone, and bank fraud were some of the most common complaints. The percentage of complaints about electronic fund transfer-related identity theft more than doubled between 2002 and 2004. According to the FTC survey, victims reported \$5 billion in annual out-of-pocket expenses. The survey also indicated that individual victims lost an average of \$1,280 in identity theft cases. Sixty-seven percent of these victims reported that existing credit card accounts were misused, and 19 percent reported abuse of checking or savings accounts.

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# Identity Theft: A Personal Risk Management Approach—Part 1

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In July 2005, the Chubb Group of Insurance Companies released the results of its survey of 1,850 Americans, revealing that 20 percent of respondents had been victims of identity theft. Ninety-five percent reported being concerned about the possibility that someone might fraudulently impersonate them to ruin their credit, a statistic that rose almost 20 percent from 2000. In addition, 87 percent believe companies fail to adequately protect their customers' confidential information and should be required to pay to restore consumers' credit ratings.

According to a study conducted by the Identity Theft Resource Center, fraudulent charges now average more than \$90,000 per name used, and the average time victims spend to clear their name is approximately 600 hours, a 250 percent increase over previous studies. In addition, victims may be unable to get jobs, buy houses, or obtain passports until the problem is resolved.

The FTC survey revealed that 51 percent of the victims knew how their personal information was obtained. Nearly 25 percent claimed that the identity theft involved lost or stolen credit cards, checkbooks, or social security cards. Many of these incidents, over 400,000 in one year alone, involved stolen mail. According to the Social Security Administration (SSA) Inspector General's analysis of their Fraud Hotline data, more than 80 percent of SSN misuse allegations arose from identity theft.

In a June 6, 2005, *Dallas Morning News* article, Privacy Rights Clearinghouse Director Beth Givens said that this crime has grown so rapidly that it now "passes the someone-you-know test." She indicates that "most people have been a victim or know somebody who has been a victim."

These studies indicate a crime that is spinning out of control. One of the key reasons behind this disturbing phenomenon is the stunning growth

of information technology. Computers allow immediate access to records and information from a remote location. So, not only is more data available faster, but the crime can often be committed by anyone with a home computer, and the thief is unlikely to be caught. The Gartner Group, a research organization, speculates that fewer than 1 in 700 identity crimes lead to a conviction.

Technology has clearly eliminated, to a large extent, an individual's privacy. Consider, for example, that over 600 U.S. insurance companies can access a person's medical records via a central database.

## Loss Exposure Assessment

An individual's exposure to identity theft must be assessed to be properly handled. Individuals who allow numerous people access to their homes, such as housekeepers, gardeners, security personnel, and nannies, are particularly susceptible. Those who spend hours on the computer are also vulnerable, particularly young adults and teens who are more likely to divulge personal information over the web. *Business Week* reported that one web site designed for college students, with over 2.5 million users from 650 schools, posted personal information including the students' full names, hometowns, and class schedules. In fact, 35 percent of members even listed their cell numbers, which thieves can use in lieu of Social Security numbers to access personal records.

Senior citizens are also at higher risk. Numerous cases involve elderly and incapacitated persons victimized by caretakers, who are often members of their own family. One study [Welsh] indicated that a family member is the perpetrator of approximately 10 percent of all identity thefts. This same research also indicated that people in large cities are at greater risk. Also, having a common name can add to a person's vulnerability. People with family names such as Smith, Williams, and Johnson and those with common first names are at greater risk.

## Types of Identity Theft

There are several ways to categorize identity theft. According to the Identity Theft Resource Center, there are three major types of identity theft.

- **Financial**—Involves the criminal's use of personal information, such as an SSN to establish new credit lines in the victim's name.
- **Criminal**—Occurs when a thief gives the victim's personal identifying information rather than the thief's own information to law enforcement personnel. This event often results in major legal and criminal problems for the unsuspecting victim.
- **Identity cloning**—Using the victim's information to establish a new persona for the thief. Identity cloning can also include financial and criminal identity theft.

In contrast, the Better Business Bureau delineates the types of identity theft based on what is stolen. These types include the following:

- **Social Security Number (SSN)**—This identifier is the most important piece of an individual's personal information because the SSN is the primary number for tracking and monitoring employment, tax reporting, and credit history.
- **Credit cards**—Thieves steal credit cards in many ways, ranging from the stealing of a wallet to illegally gaining computer access to an unprotected card number.
- **Check fraud**—Thieves can drain a person's checking account by stealing checks and forging the victim's signature or by developing counterfeit checks using a home computer and a state-of-the-art printer.
- **Cellular telephone service**—Criminals can establish cellular telephone service in the victim's name and make unauthorized calls that appear to emanate from, and are charged to, that person's cell phone.

## Methods Used

Criminals use a variety of methods to steal identities. Contrary to popular belief, the majority of identity crimes are not performed by computer pros. Instead, low-tech methods are used. Some of the most common methods include the following.

- **Theft of a wallet or purse**—Access to a checkbook alone can provide a competent thief with the means to acquire driver's licenses and birth certificates, even without having the victims' SSNs.
- **Shoulder surfing**—Involves looking over a person's shoulder to see his or her phone credit card number and PIN, for example. More sophisticated versions utilize a video camera with a zoom lens to record the punching of the numbers. Commonly done in public places, such as train stations, and around ATM machines.
- **Postal theft**—Many house mailboxes contain small red flags that, when raised, tell the postal worker that there is outgoing mail. They also serve as a dangerous invitation to criminals to abscond with the victim's mail. Thieves often look for the unsuspecting person's written checks and then perform a process known as "check washing," where the name of the payee and the check amount are removed and the check rewritten to the thief. Incoming mail to standard residential mailboxes is also at risk, since thieves can steal boxes of checks and credit card bills. These types of records allow criminals to easily gain control over a person's accounts and assume his or her identity.
- **Dumpster diving**—Involves a criminal foraging through trash bins and dumpsters looking for unshredded credit card and loan applications, canceled checks, and documents containing SSNs. Simply changing the address on a credit card application can result in a treasure trove for the thief, and often takes weeks or months for the unsuspecting individual to realize what happened.



- **Skimming**—Criminals may utilize skimmers, which are devices that read the magnetized strip from a credit card or bank card for account numbers, balances, and verification codes. The thief, such as a sales clerk or waitperson, first reads the credit card through the regular card reader and then through the skimmer without the customer's knowledge. This data is later downloaded onto the thief's personal computer.
- **Accessing computer records**—Personal identification information is increasingly accessible through the Internet as more people conduct transactions via computer. Internet-based companies do not always properly secure or encrypt this vital information. In many cases, dishonest employees gain access to this information for illegal purposes, especially employees of financial institutions.

"Hacking" is also becoming a more common technique used to commit identity theft. A hacker can easily slip by security and password barriers to access a server where all types of personal information can be copied. On June 18, 2005, MasterCard International reported

that more than 40 million credit card accounts of all brands were exposed to fraud through a computer security breach, perhaps the largest case of stolen consumer data at that time. According to the Privacy Rights Clearinghouse, other companies and universities have exposed personal information about clients or students to thieves. Some of the breach incidents besides hacking include lost backup tapes, passwords compromised, stolen laptops and desktop computers, and dishonest insider actions. The *Dallas Morning News* reported that during the first half of 2005, nearly 50 companies or universities announced cases of mass exposure of financial information, resulting in an estimated 50 million identities compromised. This stolen information is then often sold.

"Phishing" is a more recent phenomenon in the cyber crime arena. With this scam, identity thieves attempt to make Internet users believe they are receiving legitimate e-mails or are connected to a secure web site when in fact they are not. Bank customers are frequent targets. The latest phishing mutation, "pharming," is an even greater threat. Pharming is basically domain spoofing, where a bogus web site looks like a legitimate one. Accessed from e-mail or a fake link, these counterfeit sites request identification information, which the unsuspecting victim enters believing it to be safe.

And finally, one of the most common—but commonly overlooked—identity theft villain is a member of the victim's own family. Dishonest family members rely on the premise that they will not get caught, and if they do, they believe the affected family member will not press charges. In many cases, this is a correct assumption. Tragically, these thieves often steal the identity or financial information from the most vulnerable in their families, such as elderly parents or grandparents. ■

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## Check Us Out on the Web

The Personal Lines Section has a web site ([www.personallines.cpcusociety.org](http://www.personallines.cpcusociety.org)) that can be accessed from the CPCU Society site ([www.cpcusociety.org](http://www.cpcusociety.org)).



Accessing the Personal Lines Section site will give you the opportunity to network with other section members in sharing knowledge and expertise on a variety of topics. Simply click on "Ask the Expert" from the main page, and check out the topics that are posted.

Our site also gives you access to archived issues of Personally Speaking, and provides you with an opportunity to let us know what topics you would find of interest for the newsletter.

Another great way to stay connected!

# Making a Winning Presentation or How to Think Like a Listener

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](mailto:j_graham@grahamcomm.com). The company's web site is [www.grahamcomm.com](http://www.grahamcomm.com).

**T**he difference between closing a sale and losing it rests with the way the presentation is made. Whether it's selling a product or an idea, the ability to present effectively can make the difference between acceptance and rejection.

Yet, most Americans would rather die than give a speech. At least this is the popular view. Whatever the facts, the idea of standing in front of an audience ranks far below going to the dentist for most people.

*Even though the fear of public speaking runs deep, the ability to get an audience's attention, hold it for a period of time, persuade the listeners to your viewpoint,*

*and then move them to action is a skill that can be learned by just about anyone who is willing to develop it.*

Speaking—like writing—is valuable in business because it points to an ability to think, analyze ideas, make judgments, develop arguments that command attention, and organize information in a way that moves people to action. Just as good writers are in demand, the ability to speak can open doors of opportunity.

If speaking is so rewarding and highly regarded, then why will we do almost anything to avoid doing it? While it's relatively easy to cover up most mistakes, *giving a presentation to two or 200 people is an opportunity for out-in-the-open personal failure and embarrassment*. How many times a day do we hear co-workers make excuses when they are asked to explain why something did or did not happen: "I didn't know about it." "I didn't have time to get it done" "I didn't realize you needed it." "I thought someone else was taking care of that." The list is endless. *However, when making a presentation, there's no room for excuses because the exposure is total*. You're there by yourself; you're the one being put to the test. The emperor has no clothes.

Because the fear of failing is so strong, we run for cover. We hide when it's time to get on our feet. Anyone who has taken a class in public speaking knows the feeling. When the moment comes for the next presentation, everyone slides down in their chairs, hoping not to be called on. The key to becoming an effective speaker depends on overcoming the paralyzing fear of failure.

*Making successful presentations is the direct result of focusing attention on the audience rather than the speaker*. We overcome fear by *learning to think like a listener*. By following these suggestions, speaking can be an enjoyable and rewarding experience for you and your audience.

## 1. Prepare yourself for the critics.

Even experienced, professional speakers have critics. Because speaking means exposure, there are those who delight in challenging what has been said. They enjoy poking holes in arguments and bringing up exceptions in an effort to diminish the speaker. No matter how excellent a presentation, there will be those who want to disparage what has been said and dismiss the person who said it. It's easier to maintain your mental equilibrium if you know what can happen.

## 2. Recognize that stress minimizes mental agility.

"I knew exactly what I wanted to say and the minute I got on my feet, I forgot everything." Of course. It's to be expected. Because speaking is *always* stressful, we all forget what we planned to say. Walter Cronkite, the retired dean of TV news anchors, reports that he never ended an interview with a world leader without forgetting to ask a question.

The key to overcoming stress is thorough speech preparation. This doesn't mean that a speech should be memorized. The task is to either write it out word-for-word or prepare a *detailed* outline. If speakers are haunted by or worry about what they are going to say next, there's no energy left for relating to the audience.

## 3. Set the stage for success.

The overall setting includes the room and the way it's arranged, the introduction of the speaker, and how the speaker begins. It's the speaker's responsibility to control all these elements because he or she determines how the audience receives the presentation.

*Continued on page 12*

# Making a Winning Presentation or How to Think Like a Listener

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There are few ideal rooms or room arrangements. Hotels are generally known for long, narrow rooms with center aisles and poor lighting. This creates a “no-win” situation for a speaker. The distance between the speaker and the last row creates a gulf that is difficult to bridge. Many times the back half of an audience is so far away, it’s impossible for a speaker to establish rapport.

Because the setting plays such an important role in the effect of a presentation, experienced speakers expect proper seating arrangements, lighting, and sound.

Every speaker deserves a proper introduction because this establishes an atmosphere in which a speaker can be successful. More often than not, the introducer is so nervous (or unprepared) that the introduction fizzles. There are two solutions to this problem: First, provide a written introduction. Second, assume the introduction will be inadequate. Be prepared to introduce yourself. This isn’t self-serving. A speaker has a right to be viewed by the audience as a competent individual with a message worth communicating.

The final element in setting the stage is never apologizing. “I only wish I would have had more time to prepare.” “I’m not a public speaker.” Many speakers seem compelled to begin their comments with self-deprecation. Apologizing only serves one useful purpose: destroying the speaker’s credibility with the audience. To paraphrase Sir Winston Churchill, never, never, never, never, never, never, never, never apologize.

**4. Build the presentation on a solid structure.** One outline works well for most presentations because it gives a sense of completion. It has three elements: problem, analysis, and solution.



- **Problem.** This is the issue that brings you to your feet. It may be the reason why a new product should be introduced, a customer should buy your product or service, a branch office should be closed, or a new vision statement should be adopted. In this part of the presentation, the audience must come to feel that the problem is real and deserves attention.

- **Analysis.** The analysis showcases your reasons why the problem exists. To impact the audience, actual experiences are helpful, particularly when they are supported with facts, expert opinion, and statistics. A simple guide is to tell stories and document them with objective information.

- **Solution.** Once the problem is analyzed, it is time to spring the trap by presenting your solution.

Although there are emotional elements in any effective speech, the audience will be with you to the degree that you present a *reasonable* case. In other words, for the solution to be accepted,

the audience must view it as a sensible approach, one that does not stretch credibility.

**5. Understand the audience.** Many speakers are so concerned with what they want to say that they forget that the goal is to have their ideas *accepted* by the audience. You must demonstrate to an audience that you know who they are, why they are there, and what issues confront them. If it’s a hostile audience, let attendees know that you understand their viewpoint and why they hold it. Unless a speaker establishes common ground with an audience, the speech will fail.

**6. Speak slowly and move quickly.** While a speech should seem conversational, the actual delivery is quite different. First, the listener must get the message the first time because there’s no chance to go back and replay it. Therefore, speaking slowly and distinctly is essential. “Word point,” or pausing between words, is a useful technique for maintaining the audience’s attention.

Second, the mind moves faster than the mouth, about four times as fast. We think at the rate of about 500 words a minute, while we speak at about 125 words a minute. This disparity causes the listeners' minds to wander. Therefore, a properly paced speech is essential in order to maintain listener interest.

**7. Let the audience know where you're going.** "The speech didn't seem to go anywhere" is the one audience complaint that must be avoided. It is the killer. A presentation may have excellent content and address critical issues but all is lost if the audience feels that the speaker is rambling.

A speaker's top priority should be to set out guideposts so the listener can follow easily. One- and two-sentence summaries along the way are helpful: this is where we have been, this is where we are, and this is where we are going. Listeners need road signs to know where they are and where they are headed.

**8. Interact with your listeners.**

Almost everyone agrees that the worst speakers are those who go to the podium, take out notes or text, and then deliver their remarks almost as if they are speaking to an empty room. Asking questions and requesting comments at certain points change the dynamics of the situation. Speaker and audience are both participants.

Even though speakers today often interact with audiences, any type of interaction transfers some control from the speaker to the audience. Although discussion within a presentation can be an effective method for increasing acceptance for the speaker's views, it takes experience to do it successfully.

**9. Make the presentation motivating, not motivational.** If a group needs firing up, it will take far more than a speech or seminar to do

it! The problem with so-called "motivational speeches" is that they don't do the job. While they may give an audience a temporary emotional jolt, they don't change behavior. An effective presentation should give the audience the ideas, techniques, and tools so they can move themselves to action.

**10. You're not competing with a celebrity speaker.** Audiences are often disappointed when a so-called celebrity speaker leaves the podium. Listeners come with high expectations, but what they get is a "canned talk." The "big names" don't take time to customize a presentation for a particular audience, so the message fades faster than the applause.

Audiences appreciate speakers who make a genuine effort to understand the group and prepare a presentation that will be helpful to them. Besides, "big names" are not always great speakers.

**11. Make it visually interesting.** Up until 100 years ago, listening to speeches was our nation's primary form of entertainment. This was the age of the orators, speakers who could hold audiences for hours. The arrival of the motion picture began a change in audience expectations that television has only enhanced.

Any successful presentation will include compelling visual elements, either on a screen or with props. For example, one speaker describes changes in the business environment as "dog bone demographics." Along with computer-generated visuals, he brings along a huge dog bone as a prop that immediately grabs the audience's attention. When he talks about the need for long-term marketing strategies, he holds up a six-inch fir tree and suggests that the lumber industry is an example of businesses that think long-term.

While visual interest is essential, visuals should not be allowed to dominate or control a presentation. They should enhance, not overshadow, the message.

**12. You are your message.** While some speakers believe that *what* they say is all that counts, it's not true. Credibility is based in a creative and thoughtful mind that holds the listener in high regard. Good speakers are willing to share themselves as well as their ideas. A presentation is validated when this happens.

In other words, effective speaking isn't contrived. The words aren't copied from a bevy of books, and the text isn't sprinkled with quotations that are meant to impress but don't quite fit. When a presentation springs from experience and a desire to communicate, the audience finds itself on the side of the speaker.

**13. The goal is action.** The only reason to speak is action. Even speeches that are designed to inform rather than persuade are action-oriented. Information in itself influences how the listener thinks about a subject. Any presenter asks one question: *What do I want the audience to do?* Perhaps it's just to stay the course, or maybe it's to change their minds. It may be to motivate the listeners to some overt act. Unless action is the goal, there is no presentation.

Whether it's preparing a one-on-one presentation, a seminar for 100 salespeople, or a speech to an entire convention, those with the skill to speak to groups play a key role in business.

The key to good speaking is thinking like a listener. These guidelines are a checklist for evaluating presentations *before* they are given. ■

# Spotlight On . . .

## The Personal Lines Section Committee



**Kellie H. Green, CPCU**

**Year of Designation:** 2003

**Employer:** Allstate Insurance Company

**Position:** Senior Manager

### **Primary Work Responsibilities:**

I serve on the senior management team of a centralized risk management business center. My department of about 120 employees provides personal lines risk management expertise and functional support to both the agency and direct channels.

### **Why did you pursue your CPCU designation?**

I ended up in the insurance profession somewhat by “accident”—having no intention at the time of working in the corporate world, I majored in biology in college, and had no real business training.

When I first joined Allstate Insurance Company, I was introduced to the CPCU program by a co-worker, and determined that it would be a great way to supplement my completely non-business education with industry-specific knowledge.

### **What prompted you to join the Personal Lines Section?**

I think that involvement in an interest section will enable me to more fully take advantage of one of the additional great benefits of the CPCU designation—networking with other industry professionals.

The smaller size of the interest section, along with great supporting resources such as the section web site and newsletter, will make it easier for me to connect with other individuals who share my interest or experience in personal lines insurance.

### **What is the most unique experience you have had in your career?**

Several years ago I had the privilege of being involved in the start-up of a new office, which happens to be the office that I now find myself working at again, five years later.

This task involved the centralization of work that previously had been completed in numerous other locations around the country, and required significant effort to document processes and to hire and train employees.

This was certainly one of the hardest, yet at the same time, most rewarding experiences of my career.

### **What has been your biggest challenge?**

During my career, I have moved my family three times—from Virginia to Ohio; Ohio to Illinois; and most recently Illinois back to Ohio. Each move has proven to be a great experience, both personally and professionally, but they have been challenging, as we have worked to get our family adjusted to new schools and communities.

### **Please share an interesting fact about yourself of which your fellow CPCUs may not be aware.**

I enjoy playing the piano to include playing for weddings—I consider it quite an honor when someone chooses to include me in something as special as their wedding ceremony. ■

## Thoughts on Leadership

“Men make history, and not the other way around. In periods where there is no leadership, society stands still. Progress occurs when courageous, skillful leaders seize the opportunity to change things for the better.”

—Harry S. Truman

33rd President of the United States (1884–1972)

# Personally Speaking—Index of 2005 Articles

**T**he following list is provided as a reminder of all the great information and articles that were shared in *Personally Speaking* over the past year.

## Volume 7, Number 1 (April 2005)

- Hurricanes, Fires and Other Catastrophes: Are You Underinsured—Part III
- A Brief History of Contingent Commission Agreements

## Volume 7, Number 2 (June 2005)

- Senior Drivers and Insurance Concerns
- An Industry Under Siege

## Volume 7, Number 3 (October 2005)

- Window on the Future: Emerging Imperatives in the Financial Services Marketplace
- Credit Guard Mania and Loss Control

## Volume 7, Number 4 (December 2005)

- The Personal Lines Section Committee Impact: 2005 Atlanta Annual Meeting and Seminars Recap
- Hurricane Katrina: Lessons Learned
- Mean Season
- Getting the CEO to Get Marketing

## Get Your Brain in Gear!

*See how well you can do with these thinking challenges . . . don't peek at the answers until you have tried to figure it out!*

### Puzzle 1:

Imagine you are in a room with three switches. In an adjacent room, there are three light bulbs (all are off at the moment), and each switch belongs to one of the bulbs. It is impossible to see from one room to the other.

How can you find out which switch belongs to which bulb, if you may enter the room containing the bulbs only once?

### Puzzle 2:

How can you throw a ball as hard as you can and have it come back to you, even if it does not hit anything, there is nothing attached to it, and no one else catches it or throws it?

**Answer 2:** Throw the ball straight up in the air.

**Answer 1:** Flip one of the switches, which will light a bulb, and keep it on for a few minutes (make note of which switch is flipped). The bulb will get warm—after a few minutes, switch that bulb off, switch on another one and walk into the room. You will now know which switch controls the light that is on as well as the bulb that is warm. Through process of elimination, you now also know which switch controls the third remaining bulb.

# SAVE THE DATE!



## Attend the CPCU Society's 62nd Annual Meeting and Seminars September 9-12, 2006 • Nashville, TN

Featuring exciting celebrations, timely seminars,  
and a riveting Keynote Speaker!

- Celebrate with your colleagues and new designees at the Opening Session and national Conferment Ceremony on Saturday afternoon, followed by the Congratulatory Reception.
- Enjoy a memorable evening at the Grand Ole Opry.
- Be inspired at Sunday's Keynote Address by retired New York City Fire Department Battalion Commander Richard Picciotto, the highest ranking firefighter to survive the World Trade Center collapse and author of *Last Man Down*.
- Attend two new exciting panel discussions conducted by industry leaders, focusing on critical industry issues and environmental catastrophes.



Retired FDNY Battalion Commander Richard Picciotto will speak at the CPCU Society's Annual Meeting on September 10, one day before the fifth anniversary of 9/11.

Online registration will begin in early spring.

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