Personal Lines Interest Group

Personally Speaking

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Note from the Editor

by Daniel L. Blodgett, CPCU, AIM, AIS, PMP

Daniel L. Blodgett, CPCU, AIM, AIS, PMP, is a project manager in the Systems Department of State Farm's home office in Bloomington, Ill. He started with State Farm in 1990, holding positions such as auto underwriter and supervisor in the State Farm Payment Plan. Blodgett 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 and past chair of the Personal Lines Interest Group.

Best wishes for a stress-free beginning to a new year. And I hope 2011 will hold the promise of new opportunities and successes for you.

Please enjoy this first 2011 issue of *Personally Speaking* — with another great round of articles.

- Our new chair, **Robin "Rob" K. Olson, CPCU, CRIS, ARM, AAM, ARP,** leads out the issue with his first letter to our membership in his new committee position.
- The PLIG usage-based insurance seminar offered at the CPCU Society 2010 Annual Meeting and Seminars is recapped by Rob Olson and **Kellie H. Green, CPCU, MBA.** Kellie is a member of the Personal Lines Interest Group Committee.
- A student's perspective of the 2010 Annual Meeting is shared by **Hio Lam "Yoyo" Lao** from the University of Illinois. The CPCU Society Central Illinois Chapter sponsored Lao at the Annual Meeting.
- The final installment of his excellent three-part series on risk management at the enterprise level is provided by **Steve McElhiney, CPCU, MBA, ARe, AIAF,** president-elect of the CPCU Society and president of EWI Risk Services.
- "Meet Market," the special event at the 2010 Annual Meeting and Seminars developed and hosted by the Personal Lines, Agent & Broker and International Insurance Interest Groups to give producers and markets a chance to join in a social setting to share mutual expectations is summed up by **Roger G. French, CPCU, ITP, CIC, ARM, AU, AIS.**
- "Making CPCU Society Responsive to Change," the Q-and-A between *Rough Notes* Senior Editor **Bruce D. Hicks, CPCU, CLU,** and CPCU Society's President and Chairman **Warren L. Farrar, CPCU, CLU, ChFC,** is reprinted from *Rough Notes'* December 2010 issue.

Until next time ... ■

What's in This Issue

Chairman's Corner — Greetings

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

Robin "Rob" K. Olson, CPCU, CRIS, ARM, AAM, ARP, is a senior research analyst for the International Risk Management Institute (IRMI). His responsibilities include researching and writing about personal risk management issues, with a primary focus on the analysis of homeowners insurance and personal auto insurance. Olson also serves as an adjunct professor at Southern Methodist University in Dallas, Texas, where he teaches risk management classes. Before joining IRMI in 1998, he was an underwriting manager for two national insurance companies, where his experience encompassed both personal and commercial lines. Olson is the author of a 3,100-page manual, entitled *Personal Risk Management and Insurance,* published by IRMI.

I am indeed honored by my recent appointment as the chair of the Personal Lines Interest Group (PLIG). Fortunately, I am following in the footsteps of some very impressive individuals who make my job easier — previous chairs such as **Richard T. Lang, CPCU, AIM; Daniel L. Blodgett, CPCU, AIM, AIS, PMP; Dale M. Halon, CPCU, CIC;** and **Clyde "Clint" Gillespie, CPCU.**

As some of you may know, Clint Gillespie advocated and championed the development of our interest group (called a section back then) in 1998, and it has moved full steam ahead for over a dozen years. I particularly want to thank my immediate predecessor, Richard Lang, for his support, guidance and advice. Richard is stepping down from the PLIG chair due to his appointment to interest group governor. And fortunately, Dale Halon and Dan Blodgett are still actively involved in PLIG, so I have a host of people to assist me during this transition time. It is a great privilege to continue the excellent paths these leaders have laid out — and maybe begin some new ones.

I first want to recap a great 2010 Annual Meeting and Seminars in Orlando. PLIG played an active role in three successful events at this meeting:

- Breakfast event with two speakers regarding swimming pool liability exposures — held at one of the many pools at the Orlando World Center Marriott, one of the largest hotels on the East Coast and the largest Marriott in the world. Thanks to Dan Blodgett for coordinating this fun and educational event.
- Session on usage-based auto insurance, with three speakers from diverse backgrounds. Thanks to Dale Halon and **Kellie H. Green, CPCU, MBA,** for taking leadership roles in the development of this event.
- Tri-interest-group-sponsored dinner event entitled, "Meet Market," which matched producers with markets and provided networking with other professionals for future potential business dealings. Thanks to **Roger G. French, CPCU, ITP, CIC, ARM, AU, AIS,** for his strong efforts in putting this event together.

I next want to briefly talk about the benefits of volunteering. It was **Albert Schweitzer** who said the following: "Wherever a man turns, he can find someone who needs him." Well, we need you! I want to encourage you to consider service in the Personal Lines Interest Group. Here are just a few benefits to becoming involved in our group:

- We have fun! We accomplish much in our meetings but have a group dinner twice a year where we solve most of the world's political, economic, sociological and philosophical problems. Or try to solve them!!!
- We enhance our technical skills through the development of a wide variety of seminars and the publishing of this outstanding newsletter. Education and growth is the backbone of the CPCU designation, and these activities add to our knowledge.
- Taking key positions on this committee help us grow and develop our leadership skills and interpersonal abilities.
- We give back to the organization whose designation has helped us in myriad ways.
- Many of us have wide and deep backgrounds and knowledge in various aspects of personal lines insurance. We can and do call on each other for advice, feedback and information pertaining to challenging issues in our "day jobs."
- And did I mention we have fun? As everyone knows, insurance nerds are the coolest people on the planet — kind of goes without saying.

So, in summary, we need you as a leader for PLIG. If you would like to have an opportunity to achieve your business and personal goals, please fill out and complete the Application for Society Service that can be found on the Society's website, www.cpcusociety.org. Select "Members" in the top menu bar and click on "Volunteer for Society Service." You won't regret it!

Here's wishing everyone a safe and happy new year. ■

CPCU Society Annual Meeting Seminar on Usage-Based Auto Insurance Is a Hit!

by Kellie H. Green, CPCU, MBA, and Robin "Rob" K. Olson, CPCU, CRIS, ARM, AAM, ARP

Kellie H. Green, CPCU, MBA, is a director with Allstate Insurance Company with focused accountability for driving customer satisfaction and retention. She has been employed with Allstate since 1989, working in both home office as well as field offices. Green's experience includes assignments in field underwriting, project management, compliance, education and employee development, and communication as well as various leadership positions. She currently serves on the Personal Lines Interest Group Committee and is a facilitator for the CPCU Society's Center for Leadership. Green received her master's in business administration from Kent State University.

One of the more interesting sessions at the CPCU Society's Annual Meeting in Orlando was "Personal Insurance Technology — Usage-Based Auto Insurance." The CPCU Society Personal Lines Interest Group and the Information Technology Interest Group developed and promoted this well-attended seminar.

Christopher Sirota, CPCU, product development and research manager for Insurance Services Office Inc. (ISO), led off the session. He explained that usage-based auto insurance is predicated upon the use of telematics, or black box technology. Telematics is described as any integrated utilization of telecommunications and informatics. More narrowly, the term has evolved to generally refer to the use of such systems within road vehicles.

Telematics is described as any integrated utilization of telecommunications and informatics.

Sirota said that these black boxes, or event data recorders, which are typically the size of a pager, are usually located behind the dashboard of the automobile. They constantly collect and process data on the car's speed, acceleration and deceleration. ISO is working with numerous insurers to use this technology to improve the pricing and the overall results for personal auto and commercial auto insurance programs.

Another panelist, **Richard Hutchinson, MBA,** is the general manager of usage-based auto insurance for Progressive Insurance Company. Progressive is the leading insurer in the use of telematics, providing insureds with customized pricing based on actual data from their vehicles delivered via this black box technology. He believes that this type of risk segmentation is a huge leap forward in the auto underwriting process.

Hutchinson contends that driving history is a less accurate indicator of driving characteristics compared to telematics. The black box devices can record characteristics such as late night driving, where the risk is higher; average and maximum speeds, which can indicate city versus interstate driving; actual miles driven; and rapid acceleration. Progressive's program allows a "snapshot" discount of up to 30 percent for safe drivers as determined via telematics.

Allen Greenberg, AICP, a senior policy analyst for the Federal Highway Administration (FHWA) and a strong advocate of telematics, concluded the session. He maintains, like the other panelists, that the use of these black boxes actually causes drivers to be safer because they know their driving is being monitored (a so-called "halo effect"). He argues that there is compelling evidence showing a strong linkage between certain driving habits (captured via telematics) and crashes. He remarked that in the future low-mileage/low-risk drivers who are highly profitable will shift to insurers who use technology to track their driving. Conversely, he believes that high-mileage, high-risk drivers will shift to insurers that do not track their driving and that unwittingly underprice them.

Usage-based auto insurance is clearly the wave of the future. Although privacy issues may have to be addressed, the evidence indicates that people may drive less and drive safer (particularly if they get hefty auto discounts) with telematics devices in their cars. Insurers and society as a whole can reap the benefits of this trend, particularly if the "halo effect" is not temporary but permanent. ■

A Student's Perspective of the CPCU Society Annual Meeting and Seminars

by Hio Lam "Yoyo" Lao

Hio Lam "Yoyo" Lao is a student at the University of Illinois (U of I) at Urbana-Champaign, majoring in actuarial science with a business minor. She is originally from China and has lived in the U.S. for the past four years. Lao is active on the board of the Actuarial Science Club, works as a teaching assistant for insurance education, pursues her leadership certificate from the Illinois Leadership Center, and volunteers at the International Student Office as "Bridge Facilitator" for international and American students. She is currently interning with the State Farm Research and Development Center at the U of I as a P-C actuarial intern.

"Who wants a free trip to Orlando?", said Professor **Donald Davis,** University of Illinois, as he pointed at a CPCU application. I thought, "Why not?", and applied. I am honored to have been chosen as one of the students sponsored by the CPCU Society Central Illinois Chapter to have attended this conference at no cost to me. This was the second time I had heard of CPCU, the first being when I applied for a scholarship sponsored in 2009. Attending this conference was a turning point in my life. Keep reading, and I'll explain why.

On the first day, **Daniel L. Blodgett, CPCU, AIM, AIS, PMP,** who was my chapter mentor and prepared me for the Annual Meeting over the summer, introduced me to other insurance professionals. Here is an example of a common conversation during the happy hour. Remember, this was the first business trip in my life.

"This is Yoyo, and she's a student at the University of Illinois, etc, etc." Dan introduced me to so many people. They were all smiles as they replied, "Hello, Yoyo, my name is … and welcome to the CPCU Annual Meeting!" A warm handshake welcomed me at every turn.

"So, you are a student; what do you study?" They tried to help me start a conversation.

"My major is actuarial science," I replied with a smile.

"You must be smart with numbers. We don't know what actuaries do … ." They joked around with my major.

I smiled and didn't know how to respond. At this point, I wished someone could help me and tell me what to do. I was given the nickname "Miss Quiet." I admit I was too quiet the first day.

After repeating the same conversation with different people, it was time for dinner. Some of the people we met invited us to join them for dinner. I wanted to say "No," yet my reply was "Yes."

While waiting in line to be seated, I met another Society professional, **W. Thomas Mellor, CPCU, CLU, ChFC.** He initiated conversation, and I responded in the same fashion as before. I thought he would end the conversation when he knew my major was actuarial science. But, he did not.

"Are you from China?", he articulated slowly.

"Yes. I am from China. I have been in the states for four years." I started talking more about my career path.

"Why do you want to be an actuary?", he asked me.

"I like math and insurance." I answered it as an interview question.

"Don't turn down the opportunities around you." Tom was mentoring me.

I learned a lot from this dinner. Tom encouraged me to think about what I would like to do for my career and what my strengths and weaknesses are. All the professionals whom I talked to were trying to help and provide me with opportunities. After the first day of the conference, I found my career path and knew the reason I was here for the conference.

The second day, Dan invited the students to the lunch with different interest groups. I was lucky enough to meet **Alicja Lukaszewicz-Southall, CPCU, ARe.** We exchanged our stories, and I told her I am an international student from China. She invited me to attend the International Insurance Interest Group happy hour. I was amazed by the diversity of this group, and it was a great opportunity to meet so many new people.

I received a lot of advice for my career path and after the happy hour, Alicja invited me to dinner along with her husband. I shared my adventures in the United States with them, and they also shared their stories with me. At that moment, I had a feeling of belonging. They made me felt like I was talking to my family. After the second day of the conference, I felt fulfilled and warm.

The third day, I was confident enough to attend seminars, to initiate conversations with other CPCUs, attend lunch and dinner by myself, etc. Besides attending the seminars, I also needed to work on my paper because I had two assignments due for school. I was planning to work on my paper in the evenings, after the seminars. My other mentor, **Debbie L. Botts, CPCU, CIC, CRM,** and I went to the "Social Networking for Professional Success" seminar, presented by **Marsha D. Egan CPCU, CPIW, PCC.**

Marsha showed us how to use LinkedIn as a tool for professional networking. After the seminar, I spent the whole afternoon building my LinkedIn profile instead of working on my paper. Alicja invited me to the Chicago Chapter happy hour, so once again I didn't work on my paper! "I will work on it tomorrow," I persuaded myself. The fourth day, I no longer felt like "Miss Quiet." I really liked the Women's Forum and had four key takeaways:

(1) Be true to yourself.

(2) Set goals and then determine the pathway.

(3) Believe in yourself.

(4) Dare to dream and dream big — goals are dreams with deadlines.

At the end of the seminar, I was lucky enough to win a one-hour mentoring session with **Betsey L. Brewer, CPCU,** and she invited me to have breakfast the next day. Later that afternoon, I thought it was time to work on my paper. However, I was invited to the Agent & Broker/International Insurance/Personal Lines Interest Groups' "Meet Market" dinner, so once again homework had to wait.

I was the only student at the dinner, and the speaker, **Gregory G. Deimling, CPCU, ARM, AMIM,** talked about the importance of building and maintaining relationships in the insurance industry's

"The Women's Forum — A Leadership Panel Discussion for Women by Women Who Made It to the Top" brought together the only four women who have served as president in the CPCU Society's history. The panel addressed issues affecting the careers of professional women in today's insurance industry. Pictured from left: Marsha D. Egan, CPCU, CPIW, PCC; Millicent W. Workman, CPCU, CRIS, AU; Betsey L. Brewer, CPCU; and Anita Z. Bourke, CPCU, CPIW.

future. Even though I didn't have time to work on my school paper, the fourth day of my conference I learned different philosophies of success. I am so lucky to learn these philosophies from everyone I met at the conference.

The fifth day, I saw a different world through my experiences at the conference. I first had breakfast with Betsey. I brought my résumé and questions with me. She gave suggestions for my career path. One of the key takeaways from Betsey is to develop critical thinking skills to judge the feedback given by different people. I used to digest the feedback from everyone without further consideration. During the mentoring session with Betsey, I learned things that I couldn't learn from my college education. After the last day of the conference, I realized how important it is to maintain the professional relationships I built during the conference. I would like to keep in touch with everyone I met at this conference.

If you want to know more, feel free to contact me because I sincerely enjoy talking about my experience. Overall, the key takeaways from this conference are the philosophies that can shape my personal development and my career path, and the professional relationships that I built at this conference. I still keep in contact with the people I met at the conference. Some of them are my mentors and offer feedback for my personal development. As an actuarial science student, I am taking my first CPCU exam in December, and I want to get my CPCU in the near future. This conference was a turning point in my life. I sincerely thank the CPCU Society Central Illinois Chapter for granting me this sponsorship to attend this annual conference. ■

Practical ERM Considerations — From an Insurance Carrier's Perspective

by Steve McElhiney, CPCU, MBA, ARe, AIAF

Steve McElhiney, CPCU, MBA, ARe, AIAF, is president of EWI Risk Services Inc., a Dallas-based reinsurance intermediary and a subsidiary of NL Industries, a diversified industrial company. He also serves as president of Tall Pines Insurance Company of Vermont, an affiliated captive insurance company. McElhiney's insurance industry experience has spanned over two decades in roles such as CFO, corporate treasurer and ceded reinsurance executive. McElhiney currently is the CPCU Society's president-elect.

Editor's note: This is the third and final installment of a three-part series on enterprise risk management written by Steve McElhiney, CPCU, MBA, ARe, AIAF. The first two installments were published in the June and October 2010 issues of *Personally Speaking.*

There are a variety of "soft" risks that can adversely impact an insurance carrier. First, the specialized staffing needs of the industry face demographic trends that are not favorable. A substantial percentage of insurance professionals are on the forefront of retirement; it will be a challenge to replace this level of institutional knowledge (a critical risk to the highly specialized monoline carriers).

Second, the industry is being transformed in certain lines through technology. Thus, a smaller regional carrier could be disadvantaged vis-à-vis the larger national carriers due to the depth of their financial resources to invest in such capital-intensive tools and systems.

Enterprise risk in an insurance organization is further complicated by the simple (obvious) fact that carriers are in the risk-taking and risk-bearing business. By their nature, insurance companies are taking calculated risks against their dedicated capital bases.

The successful and well designed retention of risk leads to the accretion of capital over time; selective "risk bearers" are advantaged relative to "risk traders" who simply arbitrage risks. In an enterprise risk management (ERM) framework, a balance is required to ensure appropriate risk appetites and controlled risk undertakings so that capital levels are never unduly threatened.

From an ERM perspective, some of the underwriting considerations for an insurance company include the accumulation of certain exposure types from both a gross and net (of reinsurance) perspective. The credit risk associated with reinsurance can never be overlooked; any uncollectible sums are borne by the ceding company, and most insurance insolvencies globally have been partially due to the impact of uncollectible reinsurance (e.g., Mission Insurance Company).

Catastrophic exposures and liability accumulations are managed through computer risk models that analyze the probable maximum loss (PML) arising from certain perils (e.g., wind, earthquake, tornado and hail). A couple of key metrics arise from the models:

(1) The gross and net (of reinsurance) PMLs.

(2) The annual average loss estimation — that is, the normalized CAT "load" that is evident annually when year-to-year volatility is removed.

Both the rating agencies and regulators carefully monitor CAT aggregations with respect to either the indicated economic capital or regulatory capital levels. The intent is to manage the exposures at a level of materiality that could adversely impact capital at reasonable "return period" intervals of severity spikes. As mentioned earlier, the extreme "mega-CAT" outlier events do not usually represent an efficient economic risk transfer proposition.

Further, underwriting limits are a key factor in an insurance company's enterprise risk assessment process. Key questions in this regard are:

(1) What is the limits profile of the organization (or by business unit)?

(2) Is there "balance" evident for certain premium or policy bands to compensate the carrier for the inherent degree of risk?

Risk is governed in an insurance carrier in a variety of ways, based on size. The large global organizations often have a dedicated chief risk officer, who has dual reporting relationships to both the CFO and the CEO of the organization as well as reporting to a risk committee of the board. In moderate-size insurance organizations, often the CFO is responsible for the ongoing monitoring of a variety of sources of organizational enterprise risks. In a small carrier, often the president of the company has this responsibility.

Risk governance takes a number of forms in an insurance company. First, the overall policies of risk need to be delineated and vetted.

Second, regulatory compliance is an absolute requirement — it is not discretionary. Regulators will monitor the level of capital via risk-based capital requirements and ongoing audits.

Third, rating agencies provide another level of risk monitoring for the insurance company across a variety of financial and operational ratios. The riskiness of the insurance company is captured in the assigned rating level and capital adequacy score that is determined.

Fourth, risks are periodically measured through audits of external CPAs and from reinsurers (both premiums and claims). These functions may be supplemented by some internal audit sources at the company.

Insurance companies can gauge and calibrate risks across a variety of measurements. These quantitative measures should be customized to the company and its unique book and its overall risk tolerance.

Ultimately, risk levels require disclosure to stakeholders via financial reporting guidelines (often in the form of footnote disclosure) and rating agency and regulatory disclosure.

Levels of liquidity that are maintained are a function of ERM within the insurance company. Longer-tailed business tends to suggest that less liquidity needs to be maintained than would be the case for a book that is subject to sudden spikes in severity.

ERM also suggests that sources of, and overall access to, capital be well understood and evaluated pre-event to ensure the survivability of the company post-event. Extreme events will cause a sudden and substantial depletion of capital levels, and a prudent carrier will have evaluated sources of capital and will have determined access to capital strategies in advance of the event.

Irrespective of size, one critical component of ERM is the risk tolerance level or risk culture of the company. This is a function of the company's tolerance for variability and volatility in results as indicated by shareholders or owners. The dynamic of a publicly traded insurance company introduces general investor expectations for a more normalized and predictable earning stream over time (volatility constrained).

Insurance is, fundamentally, a balance sheet centric business. By contrast, the income statement of an insurance company will show natural volatility due to loss-severity spikes. Success comes through managing the balance sheet prudently over time as opposed to an exclusive focus on achieving quarter-to-quarter earnings growth expectations from capital providers.

A topic of increased interest to rating agencies especially, and more recently to capital providers, is that of economic capital and the risk adjusted returns on that economic capital. Economic capital attempts to calibrate the underlying riskiness of certain lines of business and, in turn, allocates higher relative amounts of capital to support the inherent underwriting risks.

Economic capital differs from accounting capital in that it is not nominally based on accounting ratios but is more subjectively determined based on the underlying business that is underwritten. Thus, the economic capital required to support a long-tail excess casualty line will be significantly higher than that required to support a short-tailed program. The higher levels of capital required necessitate higher relative returns; accordingly, capital is rationed within the insurance company to the highest and most efficient returns in such a model.

It is critical that any insurance carrier realize that the definition and quantification of risk is an evolving process. Emerging exposures need to be carefully studied and evaluated in terms of their potential impact to the organization over time. As a variety of organizational disciplines are impacted by the various aspects of risk (particularly in the larger entities), it is imperative that risk be evaluated in a multidisciplined matter and reported to the appropriate level of management (and ultimately to the board).

An ERM framework requires a vigilant devotion to employee training and cross-training. A risk culture connotes a company where the understanding of risk is an integral part of the overall decision making at all levels and the tactical operational plans support this overall strategic mission.

Finally, most extreme events introduce a very significant "risk error" component into their ultimate financial impact. That is, the actual results may not correlate highly with the anticipated results of the model.

Often, major earthquake or hurricane events have demonstrated actual losses that are substantially higher than the expected results of the CAT models. This phenomenon is called "modeling error" and is an expected outcome from these relatively nascent tools when compared to highly complex geologic and weather events that span thousands of years in frequency.

A prudent company manages its capital accordingly and, by design, carries a capital cushion for this unexpected error factor and other ERM-type events.

A key failing of the global banks and capital markets firms that succumbed to the financial crisis was their willingness to keep their capital cushions at the lower levels indicated by economic capital models (to better leverage results to meet investor expectations).

As insurance risk bearers, carriers should always be biased towards keeping more capital than is minimally required for certain rating levels or regulatory purposes for such unpredicted and emerging risks. ■

'Meet Market' ... the Recap

by Roger G. French CPCU, ITP, CIC, ARM, AU, AIS

Roger G. French, CPCU, ITP, CIC, ARM, AU, AIS, leads the Countrywide Insurance Operations Training Department for MAPFre USA in its Commerce Insurance corporate headquarters in Webster, Mass. French has worked in the insurance industry for more than 25 years in sales, sales management, brokerage and agency management. He is a past president of the CPCU Society's Western Massachusetts Chapter and current webmaster of the Central Massachusetts Chapter. French serves as a member of the Personal Lines Interest Group, a member of the Champions Advisory Board and a member of the Board of Trustees of the CPCU-Loman Education Foundation.

The 2010 CPCU Society Annual Meeting and Seminars in Orlando was the site of the first, and hopefully an annual opportunity, for producer and market representatives to join in a social setting to share their mutual expectations. The program was developed and hosted through the cooperative efforts of the Personal Lines, Agent & Broker and International Insurance Interest Groups.

"Meet Market" was also sponsored by four insurance carriers — Encompass, Great American, MAPFre USA and Travelers. Representatives of these carriers, as well as more than 40 attendees, gathered for an informal social hour to exchange ideas and establish relationships. The social hour was followed by a dinner, which allowed the networking to continue for the good of our membership.

Manus C. O'Donnell, CPCU, ARM, AMIM, introduced our keynote dinner speaker for the evening — **Gregory G. Deimling, CPCU, ARM, AMIM,** principal of Malecki Deimling Nielander and Associates LLC. Deimling spoke to the group on the vital role relationships play in the property-casualty insurance business as well as in life.

He stressed that the "journey" through life is the critical part of living. To illustrate the point, Deimling spoke of his journey after the "high school on the hill," moving through the part of life where there are no manuals and no certain paths. There are, however, relationships that can provide the guidance that we need.

It was the relationship he had with three key insurance professionals — one being **Donald S. Malecki, CPCU** — that led him to pursue his CPCU designation and, later, to work with his father in insurance sales. Malecki was not only a strong influence in Deimling's decision to start the CPCU program, but was also his first CPCU instructor and his mentor.

Deimling asserted that insurance is all about relationships — whom you work with, whom you meet and from whom you receive encouragement. The "stuff" we accumulate is not the substance of life; rather it's the relationships. Technology, for example, has become a shield in Deimling's view. Some tend to hide behind it and avoid the personal contacts. For example, we send e-mails or text messages instead of speaking to others on the phone or seeking face-to-face

Keynote Gregory G. Deimling, CPCU, ARM, AMIM, speaking to attendees at the Personal Lines, Agent & Broker, and International Insurance Interest Groups' dinner.

conversations. Life is about friendships — people you care about and who care about you.

CPCU is about knowledge blended with relationships and making relationships that last a lifetime. Deimling urged all those at the event to actively reach out to others instead of waiting to be sought out. This helps to make each activity an opportunity to build new relationships and to enrich current ones.

Furthermore, technological changes have placed stress on insurance producers. This is evidenced by the constant growth of a popular opinion that our product is a commodity, which it is not. Rather, insurance is a product marketed and served through relationships. Price differentiation is not the driving force in sales — relationships are.

CPCU is about knowledge blended with relationships and making relationships that last a lifetime.

Producers must look to building and retaining relationships with their customer/clients. If you focus on pricing new accounts, at the expense of existing ones, this will place the continuity of relationships in jeopardy. Deimling offered that risks do not move for price; rather, they move because somewhere along the line there was a failure to create and develop a relationship.

Deimling's Keys to Success

- Seek those with knowledge you do not have and share yours with those who need it. Conspire to solve customer needs.
- Have enough assets, or "arrows in your quiver" to serve your customers.
- Build clients for life.
- Use events like the CPCU Society's Annual Meeting and Seminars to meet people and build your own relationships.
- Be honest. Have integrity among people you work and talk (and sometimes argue) with, but with whom you remain friends.
- Make a commitment to someone and make the effort to complete it. ■

Making CPCU Society Responsive to Change

by Bruce D. Hicks, CPCU, CLU

Bruce D. Hicks, CPCU, CLU, is a senior editor at The Rough Notes Co. Inc. His prior industry experience includes underwriting and product positions with a number of property-casualty insurers. An active CPCU Society volunteer leader, he currently serves as the Society's Board Writer-Research Resource Liaison. Hicks is a former member of the Society's Board of Directors, Diversity Task Force, Diversity Committee and Information Technology Interest Group Committee. He is a member of the Society's Central Indiana Chapter.

While outlying clouds, stirred by tropical storm Nicole moved above Orlando, the Chartered Property Casualty Underwriters Society ushered in a new president and chairman — **Warren L. Farrar, CPCU, CLU, ChFC** — during its recent annual meeting.

Farrar, assistant vice president–claims for State Farm, has served the Society in several key ways since he received his designation in 1988. Most notable was his term as interest group governor and his involvement on the Society's Governance Overview Board Working Group.

The Governance Working Group spearheaded the formal recommendation to substantially reduce the size of the Society's governing board and create a separate group of governors who maintain, solely, local chapter oversight and liaison duties.

During his inaugural speech, Farrar hammered home some realities about the current insurance market and its challenges.

At one point he shared that: "These are volatile times for the industry and the economy. These are precisely the times when employers most need to continue to invest in their employees. This is how they make certain that their employees are prepared to offer solutions."

Farrar made himself available to discuss several issues about his upcoming term as the CPCU Society's president and chairman.

RN: Can you share about your history with the Society and your path to its presidency?

Farrar: Due to my work, I moved frequently; so I did not involve myself on the local chapter level. I believed that relocations would result in a disservice to a chapter. I turned down several offers to become a chapter leader. However, in 1992, I was offered an opportunity to serve with the Society's Loss Control Interest Section (now called interest groups). I then became heavily involved with interest groups since those responsibilities accommodated my job movement.

RN: How well are interest groups meeting the needs of membership?

Farrar: The interest groups contribute a huge amount of technical information to our annual meetings. As successful as they have been, we face the challenge of continuing to leverage our expertise of our interest groups in new and different ways. Our new interest group governance structure will help them develop a greater ability to demonstrate their importance to the Society and the insurance industry. We may decide to expand the number of interest groups as the insurance marketplace changes. Interest groups should reflect current needs.

RN: What progress is being made in establishing the separate level of Society governors?

Farrar: So far a great deal of progress has been made. However, we are still in the midst of transition, and I'm confident that it will make us more effective, particularly as a board of directors. It will be easier to get things done with a smaller group. The reconfigured board and separate level of chapter governors will benefit our members. It will allow the governors to be more responsive to the chapters assigned to them. This change was made with the involvement of a large group of CPCUs. The changes we're implementing reflect their good work. Change is never easy, but the people I've talked to who are operating in the new roles have been very positive.

RN: How is the transition to a smaller board of directors working so far?

Farrar: In a volatile environment, we have to be more strategic than we have been. This market demands that we reach solutions quickly. So far, the smaller board is giving us the ability to be much more flexible and responsive!

RN: Can you discuss the opportunities being created by the Society staff via its webinars?

Farrar: They've been terrific! The many webinars created by our staff have allowed us to offer a greater volume of technical information to a much wider audience … and to do so in a flexible manner … it's been a big success.

RN: How would you describe the job the Society has done to influence the image of the insurance industry?

Farrar: We have an important role to play with the insurance industry, and how we handle that role is definitely part of the Society's strategy. We can influence the level of talent that can be attracted to our industry. Our student programs, particularly the CPCU-Loman Education Foundation's efforts to extol the benefits of insurance careers, are a huge step in that direction.

RN: What do you most look forward to accomplishing during your term?

Farrar: My greatest priority is to help create strategy that responds to marketplace issues. It's going to ask a lot of our volunteers, especially when they are strapped for time. I'm looking forward to the fun of meeting many people across the country and to spreading the message of the role the Society has to play. At the end of my term, I hope the Society is in a position to be successful on an ongoing basis and that the industry recognizes our importance.

RN: What Society objectives do you believe need increased emphasis, if any?

Farrar: Our objectives have to permit us to be able to recognize what's going on in the industry, especially when the market is uncertain. We have the people who are quite capable of dealing with change. It's

Warren L. Farrar, CPCU, CLU, ChFC, addresses attendees after being sworn in as the CPCU Society's 2010–2011 president and chairman at the 2010 Annual Meeting and Seminars held in Orlando, Fla.

important that we increase our efforts to demonstrate this important ability.

RN: What was the importance of the Society's initial decision to use social media?

Farrar: It's critical! We must attract younger people to our organization and to the insurance industry. In order to do so, we have to embrace the ability to communicate with them in the way to which they're accustomed. We have to bring in their talent and then take advantage of the power that they can bring to industry. There is a risk in the use of social media, but we have to minimize that risk and use those new communication channels. ■

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