

Chairman's Corner: Don't Type the Workshop Notes While Wearing "Drunk Goggles"

by Daniel L. Blodgett, CPCU, AIM, AIS



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I recently attended my local chapter's personal lines workshop on teen driving. The topic was very timely in the Central Illinois area as there had been a string of very unfortunate incidents involving teen driving fatalities. I'm part of the committee, and we recruited speakers from the National Safety Council for Transportation Safety, The Children's Hospital of Philadelphia, several local driver's education institutions, a local insurance agency, and the local county State's Attorney office.

The presenters offered information concerning safety, responsibility, research results, reason for crashes (i.e. distractions), overview of laws, and current driver's education training programs. I was the designated note-taker for the workshop, so my task was to type as quickly as possible while

at the same time taking in all of the information as a consumer—not just a committee member.

The audience was mostly folks who were parents so it was a good wake-up call to hear that kids say their parents are their number-one role model for driving habits. Basically, your kids are in "driver's ed" for 16 years before the official program begins, right? They'll remember your habits above all others. So how many times have you driven while distracted or in an unsafe manner? How you drive sends a powerful message to your kids.

Okay—enough scolding, that's not my intent. I'm sure you are all good drivers and keep your distractions to a minimum. Graduated licensing (GDL) programs were discussed, which was

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something I was very interested in. I've always thought GDL was a restrictive program, when in essence it's a series of best practices to bring teen drivers to experience levels they need to enjoy the full freedoms of driving.

Several good points were made concerning risk. It seems that a few conditions increase risk above all others—(1) driving with passengers; (2) driving at night; (3) alcohol consumption; (4) not wearing seatbelts; and (5) cell phone use. Just decreasing these risks will go a long way to keeping teens safe until they have more experience.

I haven't mentioned the drunk goggles yet. As an added value to the workshop, the committee purchased two sets of drunk goggles from Drunk Busters of America, LLC, and we made them available for attendees to try on during the program. They ended up with me in the back row where I promptly put them on and attempted to continue my note-taking via my laptop computer. Not only was I instantly disoriented, but I honestly could not get my fingers on the right keys and the sensation of inebriation was very convincing!

So please set a good example for young drivers. Help them learn good habits that will keep everyone safe on the road. If you have children coming of driving age—stay involved with the driver's education program with them. For that, stay involved with your local CPCU Society chapter too, and maybe they'll offer a similar workshop for your benefit—try out the goggles too, but don't wear them while typing the notes! ■

Note from the Editor

by Robert A. Braun, CPCU



Robert A. Braun, CPCU, is a regional vice president with State Auto Insurance Companies, where he manages the Cincinnati Branch Office. He joined the Personal Lines Section Committee in 2006, and he shares editorial responsibility for the section newsletter, *Personally Speaking*.

With this edition, we are proud to continue with our "theme-based" newsletter format, in which a good portion of the edition is devoted to one topic of interest to our membership. This issue focuses on predictive modeling, a pricing and underwriting tool used increasingly across all segments of the business. We hope you enjoy the material we've chosen!

Predictive Modeling

Three articles have been reprinted from *Best's Review*. The first, written by **Jonathan Bennett**, provides a brief overview of the benefits of multivariate underwriting products. The second article, while focused primarily on commercial insurance, provides a detailed look at how predictive modeling works in the real world. The information is quite pertinent to the personal lines segment of our industry. The final article urges professionals to exercise caution in the use of models. Written last summer with the 2005 hurricane season as a backdrop, the author implores us to keep an eye on timeless business fundamentals and the need for sound judgment when using models as decision-making tools.

Developing Knowledge of the Industry

Part two of a three-part series by contributor **Robin K. Olson, CPCU, CRIS, ARM, AAM, ARP**, is included in this issue. This series focuses on home-based businesses, a rapidly growing segment of our society that provides opportunities for our industry.

Networking and Section News

Section member **Loren B. Gallogly III, CPCU, ARe**, has also contributed a timely refresher on building relationships in your professional life. At times, many of us take these issues for granted, so it is good to be reminded of the truly important things in our career.

Our spotlight article is on section committee member **Richard T. Lang, CPCU**. And we pay tribute to **Carol M. Busse, API**, winner of the API Award for Academic Excellence. ■

Even More Predictable

Ongoing Underwriting Innovations Are Improving Risk Assessment and Agent-Underwriter Relationships

by Jonathan Bennett

■ **Jonathan Bennett** is executive vice president for personal and small business insurance at Hartford Financial Services Group, Inc.

Editor's note: This article is reprinted by permission of the A.M. Best Company. First published in the March 2007 issue of *Best's Review* magazine.

In an industry often seen as lacking the spark of new ideas, leading insurance companies are moving rapidly to introduce innovative changes to traditional underwriting. Insurers began introducing new and different underwriting variables about a decade ago, following centuries of relying on a base rate, an account's loss history, and a few pricing tiers.

First came insurance scores. Then insurers built on that approach using sophisticated technology and algorithms, plus strategic information and granular, multivariate pricing models. The result is greater precision in assessing individual risk.

When first introduced for personal auto policies several years ago, multivariate pricing took the industry by storm. It put the glamour back in personal lines and ushered in a new era of management principles. By bringing in more factors to evaluate an account, insurers could improve their accuracy in predicting losses and pricing individual accounts. Today carriers are beginning to apply a similar approach to evaluating and pricing commercial auto risks.

Multivariate products have major advantages for commercial auto coverage where loss frequency and severity have many predictable characteristics. Moving beyond traditional underwriting of total number of vehicles and drivers' motor vehicle records, insurers can capture granular information on vehicle operators

and on the specific fleet composition—for example, vehicle value, use and gross weight—to price their products more precisely and enhance their competitiveness.

Predictive modeling benefits insurers, agents, and policyholders, bringing insurers greater comfort when writing a broader range of accounts. Carriers can pinpoint segments experiencing rapid loss cost inflation and be surgical in pricing changes. With more knowledge, individual carriers will be less inclined to respond to irrational market pressures, which should help limit industry volatility.

For agents, this new generation of products will reduce a carrier's need to manually underwrite routine submissions, so agents receive a better quote faster.

■ **With more knowledge, individual carriers will be less inclined to respond to irrational market pressures, which should help limit industry volatility.**

Multivariate underwriting can give commercial policyholders greater confidence that insurers are measuring their true individual risk profile, bringing lower premiums as higher premiums are attached to higher exposure classes or risks. Regulators tend to look favorably on multivariate underwriting as a fair and fact-based approach to providing insurance that promotes a healthy and competitive environment.

Predictive modeling also may lead to changes in the agency-carrier relationship since agents are less able to rely on the historical "sweet-spot" of a carrier in anticipating price or acceptance of the risk. To satisfy customer needs, agents must stay close to carriers' product developments, and regularly seek quotes from the carriers they represent. Broadened risk appetite and competitive pricing could allow an agent to place an entire commercial account—auto, business owners policy, workers compensation, and management liability—with a single carrier.

Finally, agents will find that predictive modeling fits well with good, easy-to-use submission software, delivering a reliable and accurate quote more quickly and further cementing relationships with certain carriers.

Multivariate underwriting already has improved predictability for personal auto, and likely will do the same for commercial auto. Once that happens, commercial property or workers compensation shouldn't be too far behind. ■

Secrets to Successful Commercial Segmentation

Commercial Insurers Are Beginning to Develop Customized Predictive Models, Operationalize the Models, and Harvest the Business Benefits

by Rebecca Amoroso, John Lucker, James Marino, and Frank Zizzamia

Rebecca Amoroso and John Lucker are principals at Deloitte Consulting LLP; **James Marino** is director, Deloitte Services LLP; and **Frank Zizzamia** is director, Deloitte Consulting LLP. They can be reached at jmarino@deloitte.com.

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When James Watson and Francis Crick discovered that differing sequences of amino acids create the DNA molecule and hence the basis that all life is built upon, science had effectively unraveled what makes each organism unique. Similarly, since insurance was first sold, underwriters have searched for the perfect combination of information that would help them segment the good from the bad risk and then help price such risks commensurately. Predictive models based on consumer credit data and other relevant data have been proven to provide significant risk segmentation for personal lines carriers. For small to mid-sized commercial insurance, however, the development of predictive models has been more challenging. Disparate product and data standards, heterogeneous policyholders, significantly varying premium sizes, multiple technology platforms, slow computing power, and business inertia have made the progression of predictive modeling for commercial insurance less rapid—until now.

Over the past seven years, innovative insurers and professional service firms have worked hard to develop predictive models for commercial lines insurance. This progress has provided early adopters with the ability to select, manage, and price risks better for a variety of products including business owners policies, commercial package, commercial automobile, general liability, commercial

property, workers compensation, umbrella, errors and omissions, directors and officers, employment practices liability, and medical malpractice.

By coupling advances in high-speed computing, actuarial and statistical modeling methods, and new industry intellectual capital, leading companies have made significant advances in better risk segmentation and portfolio management by using predictive models. They knew it was essential to uncover not only the best combination of risk characteristics but also the ideal weighting of each risk characteristic relative to others. Furthermore, they thought that these insights needed to be derived with a well-defined statistical and actuarial rigor so that the results were usable, repeatable, and executable. To do so would provide underwriters with a powerful new underwriting tool to more accurately price each and every risk in varying market conditions. In fact, they knew that segmentation was the name of the game, and they wanted to be an early entrant to gain a competitive advantage.

This ability is particularly important now because the consensus is that the rates of the hard market of the early 2000s are gradually but decisively moving downward. The market is softening. Companies want to grow their market share, their premium base, and their product diversification. Some say that a perfect storm is brewing for the return of the irrational soft market of the 1990s.

Leading companies know that if you can price more accurately than your competition (not necessarily price more aggressively), you will always be better off, despite market cycles.

Models on the Move

Previously in personal lines, with the use of credit-based predictive models, early adopters outperformed the competition. But over time, the majority of personal

lines companies took advantage of the models. Numerous mistakes were made, including creating the concept as an industry-wide black box, but those who implemented the models most effectively were able to emerge from the pack. Today such credit-based predictive models are table stakes, and the generic industry modes that are widely used provide little competitive advantage except for the two potential key differentiators—effective business implementation and the company's commitment to continue to innovate. The early adopters of the technology were able to remix their portfolio of risks and improve the quality of the book of business. Once optimized, the benefits of this action are recurring and compounding—the improvement of a book of business continues to produce financial benefits as the good risk outweighs the bad risk.

The race has begun in commercial lines with approximately 30 percent of small commercial premium being scored by predictive models today. The competitive landscape is becoming broad and varied with a mixture of national companies, super-regionals, and regionals as the early adopters. The smaller companies have been able to move faster, implement the models more effectively, and bring their underwriters and agency forces on board more quickly with these new underwriting tools. Here, being small and nimble has been an advantage.

There are clearly the market leaders who not only have been able to develop customized models (leverage their data) but who also have excelled at implementation both on their technology platforms and, more importantly, within their underwriting selection, pricing, and work flow processes. In other words, these market leaders have learned how to operationalize the models and harvest the business benefits.

Leading companies are using models to help achieve a significant reduction in their loss and expense ratios through right pricing and higher levels of automated renewal processing.

Steps to Success

The companies that have begun to travel this path, and are excelling on it, have concluded that developing customized models (using a combination of internal, external, and synthetic data) would allow them the best opportunity to reflect the uniqueness of their book of business and distribution system. They have concluded that generic industry models provide little competitive advantage, and that the initial step is usually a very challenging process because, historically, data quality and integrity were not considered to be high priority. However, going through this process has enlightened many companies to conclude that their own data may be their largest off-the-balance sheet asset.

Applying the appropriate actuarial rigor and choosing the right statistical approach are the next key steps. Companies have found that this step goes far beyond actuaries choosing a modeling software package and curling up next to the fireplace with their statistical books. It requires years of experience, a deep understanding of the industry, and a realization that the findings must be actionable by the business units.

Those companies who approach predictive modeling solely as a technical or actuarial exercise typically do not succeed. Experience has shown there are three drivers for business success—implementation, implementation, and implementation. The implementation of predictive models is not about scoring; rather, it is about how scores, the interpretation and explanation of scores, and the associated business rules can be deployed to help drive key business decisions.

Companies that view predictive modeling as a business initiative are able to better define a set of business applications that are enabled by predictive modeling and realize a significant business benefit. In fact, companies typically realize a benefit that represents a five-to-ten times rate of return on their initial investment.

■ *The critical success factor for deploying the models is that the key business decisions must be actionable, defensible, and measurable.*

Make It Actionable

The critical success factor for deploying the models is that the key business decisions must be actionable, defensible, and measurable, and individuals must be accountable for producing the intended business benefit described above.

Successful companies focus on developing a “decile management” approach that links business actions to the indications that are produced by the predictive model. Decile management involves dividing risks into rank-ordered buckets where each bucket represents 10 percent of risks and then based on the positional ranking and profitability of each decile (bucket), business actions can be assigned to each decile. In other words, individual risk decisions with respect to non-renewal, renewal retention, and pricing are tailored based upon the loss ratio estimation for the subsequent policy term. This is the approach companies use to realize the significant business value that is enabled through the use of predictive models.

Effectively developing and implementing predictive models into a commercial insurance business requires a significant investment of time, money, human capital, and intellectual property. The

latter is an important consideration because the process to create and leverage models is unique for each company.

Beyond Decile Management

As models for individual lines of business are deployed, companies have learned a number of other considerations could help to produce an evolutionary change in business processes. Initially the focus is learning where the predictive modeling footprint could be expanded in a manner consistent with the company’s underwriting philosophy and culture. The process begins with account underwriting and extends to service, expanding pricing detail, and determining the key performance measures to validate that the organization is achieving the desired results. Companies ask themselves a number of questions to better understand the options that might be available. For example:

- What will be the account versus line of business strategy as respects profitability? In other words, will each line of business stand on its own or will line subsidiaries be allowed based on the total account profitability?
- Will there be different levels of service provided in areas such as billing, loss control, audit, claims, and customer service based upon the decile ranking?
- Since predictive models enable more detailed pricing for the individual risk, will an expansion of pricing tiers be a likely outcome?
- What are the performance metrics that can be measured by decile, and who in the organization will be accountable for the specific actions?

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Secrets to Successful Commercial Segmentation

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Finally, the last step is to develop a commitment to search for new data sources and risk characteristics so the company can extend its competitive advantage through predictive models.

The Next Generation

Up to this point, companies have taken a very tactical approach to the use of predictive models with sound business reasons for doing so. Now the early adopters are posing the question: How can I leverage my investment in predictive models to gain a strategic advantage over my competitors?

Some companies have expanded the use of predictive models from a product to a client view. Others have used models only to help underwrite the mid-size commercial risk, but they also have been used to enter new markets and new products. How the models are implemented might change, but they have been deployed very effectively by several companies. They have expanded their underwriting appetite, and now they are poised to grow profitably during a soft pricing cycle.

During the next few years, the winning strategy will be to link predictive models with supporting technology to bring insurance company functionality to the point of sale, independent of the channel of distribution. This means that companies will be able to price, underwrite, and complete the entire policy transaction in real time using predictive models, and download the completed transaction at the point of sale. For small commercial business, the company that can implement this strategy will likely gain significant market share and achieve a level of profitable growth that outpaces its competitors. ■

Spotlight On . . . The Personal Lines Section Committee

Name: Richard T. Lang, CPCU



Year of Designation: 2003

Employer: Bear River Mutual Insurance Co.

Position: Senior Examiner/Team Advisor

Primary work responsibilities:

Handle complex liability automobile and homeowner injury losses. Advise staff and provide training as needed. Review staff files. Manage litigation file discussion.

Why did you pursue your CPCU designation?

I pursued the designation due to their reputation for being the top insurance professionals in the industry, including the requirement to abide by a set of canons and rules that include ethical and professional standards.

What prompted you to join the Personal Lines Section?

I work for a carrier that specializes in personal lines and confirmed my belief that the experience would enhance my education and experience.

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

Being part of a small insurance company and helping it grow. Since starting at Bear River in 1995, it has more than doubled its written premiums.

What has been your biggest challenge?

The honor to head our task force for the diminished value seminar for the Personal Lines Section at the CPCU Society's 2006 Annual Meeting and Seminars in Nashville, which allowed me to stretch myself and work with a terrific team of individuals and panelists from across the states.

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

In addition to my primary work responsibilities, I have been involved in several task forces with Bear River unrelated to my specific job duties such as reviewing and modifying our underwriting guidelines, casualty department form letters, casualty department claim screens, and telephone system improvements for the company. I am married with three boys ages 6, 3, and 1. We enjoy attending many sports events and enjoy watching our two oldest boys participate in soccer.

Hard-Learned Lessons

The Benefits That Models and Data Provide Insurers Have Inherent Limits

by William H. Panning

■ **William H. Panning** is executive vice president at Willis Re, Inc.

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Surprises—particularly unwelcome ones—can be occasions for learning, and also for correcting, if possible, what went wrong. So what can we learn from last year's surprising series of severe hurricanes that devastated homes, businesses, and insurers' profits? Here are some possible conclusions, their rationales, and some implications.

Option 1: Last year was a fluke. A fluke is an instance of what is sometimes called "process risk." If we flip a fair coin a number of times, we know from experience that the proportion of heads will not be exactly half. If we flip the coin six times, we may in fact obtain six heads or six tails, rather than an expected outcome of three each. In fact, the probability of obtaining five or six heads or tails is about 22 percent, so we should not be astonished when this occurs. Similarly, we should not be astonished by an unusually large number of severe hurricanes.

Option 2: The probability of severe hurricanes is higher than we thought.

Option 1 presumes that we know the probability of flipping heads and the probability of a severe hurricane. Option 2, by contrast, recognizes that we must infer those probabilities from what we observe. The fact that our estimate may be wrong is known as "parameter risk." If we see a high percentage of heads in a long series of flips, we are certainly justified in inferring that the coin may be biased. Similarly, when we see a surprising number of severe hurricanes, we may rationally increase our estimate of their probability. In both

cases, we are revising our parameters—our expectations or probabilities—to reflect additional experience.

■ ***The more complex the implementation, the greater the risk that the (informatics program) will collapse under its own weight and never capture value.***

Option 3: The probability of severe hurricanes has increased. In estimating probabilities from the events we observe, we necessarily rely on implicit or explicit mental models of what is happening. The possibility that this mental model is wrong is called "model risk." In option 2, for example, there is an implicit presumption that the probability of flipping heads, or of observing severe hurricanes, is constant, so the crucial task is determining what that probability is. Option 3 challenges that view by asserting that the probability has changed as a consequence of global warming or some other climatic change. From this standpoint, options 1 and 2 are both instances of model risk, and the important task is to determine how much the probability of severe hurricanes has increased and whether it will continue to do so.

Choosing among these options is more than an academic exercise, for they imply different responses. Option 1 implies that no action is necessary, since the events of 2005 were random and could not have been anticipated. Option 2 implies the need to inject greater pessimism into our catastrophe models, our pricing models, our underwriting decisions, and our choices of the appropriate amount of surplus and reinsurance. Option 3 has similar implications, but also questions whether a firm can confidently write property catastrophe business given the



significant uncertainty about current and future probabilities of severe losses.

But even more important than the choice among these options is the glimpse that last year gave us concerning the inherent limits to our understanding and management of risk—and not just property catastrophe risk, but risk of all kinds. Insurance as a product is necessarily concerned with events that occur very infrequently. By definition, data concerning the frequency and severity of such events is limited, so that we cannot be highly confident that the probability estimates we derive for such events are correct. Even more challenging is the related problem of estimating the correlations among different kinds of relatively rare events. This is an issue in the discipline of enterprise risk management, where an essential task is to estimate a firm's distribution of overall or aggregate risk.

Our experience with events that are relatively rare is limited. So, consequently, is our ability to draw definitive conclusions from that experience. There is thus an inherent limit to the benefits that models and data can provide insurers. Models can indeed be valuable, but only as an aid to our judgment, not as a substitute for it. ■

Insuring the Home-Based Business (Part 2)

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



Robin K. Olson, CPCU, CRIS, ARM, AAM, ARP, is director of training and education for the International Risk Management Institute (IRMI) and is the editor of IRMI's *Personal Lines Pilot*.

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 also 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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Part 1 of this series (published in the April 2007 issue of *Personally Speaking*) examined homeowners policy restrictions regarding home-based businesses. In cases where the homeowners insurer denies coverage, and the case goes to trial, the issue often hinges on the definition of "business." In many cases, courts uphold the business exclusion, leaving the businessowner without coverage. Part 3 of this series looks at the proper endorsements and policies needed to adequately protect home-based businesses.

Courts have dealt with the issue of whether business property and business-related activities are covered by the homeowners policy for many years. Often the first step is for the court to ascertain what is meant by the term "business." A seminal case concerning this topic is *Home Ins. Co. v Aurigemma*, 45 Misc. 2d 875 (N.Y. Sup. 1965), in which the New York Supreme Court ruled that the term "business pursuits" encompassed two elements: continuity and profit motive.

Concerning the first element, there must be a customary engagement or a stated occupation. Concerning the second element, there must be proven a means of livelihood, gainful employment, or procuring subsistence or profit. In a later New York appellate court decision, the court ruled that "for purposes of the 'business pursuits' exclusion, the 'business' engaged in by the insured need not necessarily be limited to his sole occupation." See *Shapiro v Glen Falls Ins. Co.*, 365 N.Y.S.2d 892, 47 A.D.2d 856 (1975), aff'd, 347 N.E.2d 624, 383 N.Y.S.2d 263 (1976).

Court decisions concerning property limitations and liability limitations on

business-related losses are important to review to fully understand the relevant loss exposures and the gaps that may be created when conducting business or quasi-business activities from the home.

Business Property Limitation/Exclusion

There are two key business property restrictions in the homeowners form to address from a caselaw perspective—one pertaining to other structures, and one pertaining to business personal property. *Smith v State Farm Fire & Cas. Co.*, 656 N.W.2d 432 (Minn. App. 2003), concerned the preclusion of coverage for other structures used in business. The insured's homeowners policy excluded any nondwelling structure "used in whole or in part for business purposes" or "rented or held for rental to a person not a tenant of the dwelling, unless used solely as a private garage." In this case, the insured rented both of her barns to a commercial marina to store boats. The insured listed property rental as a business or profession on her federal tax return and reported \$4,000 gross receipts for three consecutive years.

One of the barns collapsed due to snow accumulation on the roof. This loss was unrelated to the presence of the boats inside. The insurer denied the claim because the policy's business and rental exclusions precluded coverage since Smith was renting the barn for business purposes. The insured brought suit. The district court ruled that the rental conduct was governed by the policy's rental exclusion and not the general business exclusion. The court ruled that the insured was entitled to coverage because the marina was "functionally using the barn as a private garage."

The Minnesota appellate court reversed, ruling that the insurance contract should be "construed so as to harmonize all of its parts," including the business activities exclusion. The court defined business pursuits as an activity "intended to generate profits or financial gain."

The court rejected the insured's contention that since she is a financial analyst, the property rental is not her "trade, occupation, or profession." The court ruled that the policy excludes coverage for "business purposes," not the singular "business purpose," implying that the exclusion is not restricted solely to the insured's primary occupation. The court agreed with the insurer's position that the boat storage rental created business risks and liability not contemplated by the insured's homeowners coverage.

The various restrictions on business personal property have also been challenged in court. In *Asbury v Indiana Union Mut. Ins. Co.*, 441 N.E.2d 232, (Ind. App. 1982), this limitation was struck down by the court. The insured, a mill operator, was also a hunter for sport and had received money from the sale of skins in the past. The insured stored more than 100 pelts in his deep freezer, valued at approximately \$3,500. When stolen from his home, he filed a claim with his homeowners insurer, which denied the claim, citing the business property exclusion. The insured filed suit, contending that he never relied on the sale of animal skins to make a living. The district court upheld the business exclusion, and the case was appealed. The Indiana appellate court reversed, ruling that the hunting and skinning of animals was more closely related to a hobby than a business. It found that "each case is fact-sensitive for determining whether a particular activity is 'business' or involves 'business property.'"

In *Mack v Nationwide Mut. Fire Ins. Co.*, 2005 Ohio App. LEXIS 2591 (June 3, 2005), the court upheld the business property exclusion. In this case, the insured's musical equipment valued at nearly \$27,000 and used to perform for money, was stolen. The insurer offered to pay only \$500, the limit for business personal property under the applicable homeowners policy. The insured then filed suit contending that his musical interests were more related to a hobby in

that he used them more for pleasure than any business activity. He further argued that the business property exclusion was ambiguous because "business property" was not defined in the policy. The Ohio appellate court disagreed, finding that he did receive remuneration of cash or musical instruments in exchange for his musical services. The court also stipulated that the "mere absence of a definition in an insurance contract does not make the meaning of the term ambiguous." It applied the plain and ordinary meaning to the phrase "business property."

Business Liability Exclusion

The business liability exclusion has been challenged even more frequently than the business property restrictions. In a few cases, the courts have struck down the exclusion. In *State Auto Prop. & Cas. Ins. Co. v Raynolds*, 564 S.E.2d 677 (S.C. App. 2002), the insured's dog bit a professional dog handler. The injured party filed a claim against the insured, who turned in the loss notice to his homeowners insurer. The insurer declined coverage, citing the business pursuits liability exclusion. The insurer contended that the insured had facilities in its home to breed and raise Akita show dogs for money, which included a kennel behind its home. The insurer later filed a declaratory judgment action.

The South Carolina appellate court found that this activity was part-time, particularly since the insured had other business interests. The court struck down the business pursuits liability exclusion, finding that there was no profit motive in this activity since it was more hobby-oriented than business-oriented.

More often, however, the business pursuits exclusion is upheld by the courts. In *Wiley v Travelers Ins. Co.*, 534 P.2d 1293 (Okla. 1974), the insured's dog bit a guest who responded to an advertisement regarding a St. Bernard puppy for sale. The claim was filed with the homeowners insurer, which denied coverage under the business pursuits exclusion. The insured held a full-time job as a salesman

and argued that the dog operations were only part-time and more of a hobby than a business. The insured further argued that any profits he did make were inconsequential.

The Oklahoma Supreme Court upheld the exclusion, ruling that the addition of a "profit motive is all that is necessary to make an activity both a hobby and a business pursuit." It further stated that "whether there is or is not actual profit is immaterial." The court viewed a business in a comprehensive manner, stating that "profit motive, not actual profit, makes a pursuit a business pursuit."

In *Pacific Indem. Ins. Co. v Aetna Cas. & Sur. Co.*, 688 A.2d 319, (Conn. 1997), the insureds' horse kicked and injured an independent contractor hired to care for their animals. The injured party filed suit against the insureds, who turned the claim over to their homeowners insurer. The insurer refused to defend or indemnify the insureds, arguing that they were engaged in a business pursuit since they boarded many horses at their farm for \$480 per month per horse.

The insureds argued that they each had full-time jobs unrelated to the horse boarding business. They contended that this activity was secondary in nature. The Connecticut Supreme Court disagreed with "such a narrow interpretation," finding a profit motive in this activity. It found this to be a business pursuit activity "further bolstered by the fact that, for every year in question, the insureds filed farm business federal income tax returns and claimed substantial annual depreciation of their property under various IRS codes."

Numerous other courts have upheld the business pursuits liability exclusion, including:

- *Hiebert v Farmers Ins. Co. of Oregon*, 18 P.3d 397, (Or. App. 2001)
- *Larson v Georgia Farm Bureau Mut. Ins. Co.*, 520 S.E.2d 45 (Ga. App. 1999)
- *Vallas v Cincinnati Ins. Co.*, 624 So. 2d 568, (Ala. 1993) ■

Don't Miss Your Personal Lines Section's Seminar at the 2007 Annual Meeting and Seminars in Honolulu

Technology in Personal Lines Insurance: Riding the Waves

Tuesday, September 11 • 8:30 – 10:30 a.m.

This seminar will examine how insurers have utilized technology to underwrite and market personal lines risks and to adjust personal lines claims. It addresses how insurers have responded to both the changes in the risks and the technologically advanced equipment now considered standard within the home or auto; and the impact on risk management, valuation, and risk control. *Filed for CE credits.*

Presenters

Robin K. Olson, CPCU, CRIS

International Risk Management Institute (moderator)

Michael A. Onofrietti, CPCU, ACAS, MAAA

AIG Hawaii Insurance Company

Christopher H. Perini

ISO

Philip B. Weymouth Jr., CPCU

Weymouth and Smith Insurance Inc.



Register today at www.cpcusociety.org.

Sections Strategic Implementation Task Force Report Summary

by Kathleen J. Robison, CPCU, CPIW, ARM, AU



Kathleen J. Robison, CPCU, CPIW, ARM, AU, has more than 30 years of experience with leading claims organizations, and possesses a wide range of commercial and personal insurance coverage knowledge and applicability. K. Robi & Associates, LLC, which she founded in 2004, provides customized consultant services in the property and casualty insurance fields, including expert witness testimony, litigation management, claims and underwriting best practices reviews/audits, coverage analysis, and interim claims management. She can be reached at (423) 884-3226 or (423) 404-3538; or at info@krobiconsult.com.

A Brief History

At the CPCU Society's 2005 Annual Meeting and Seminars, the Board of Governors created a Sections Strategic Task Force. The task force developed a strategic vision for sections. It was presented to the Board at the 2006 Annual Meeting and Seminars in Nashville, in September.

The Sections Strategic Task Force proposed the sections' strategy should be, "to position sections as a provider of readily available, high-quality, technical content to stakeholders." The level of content and delivery would vary based on the audience. To successfully accomplish the strategy, the task force recommended a series of strategic initiatives aligned with four key perspectives: Organizational Structure (OS), Leadership Development (LD), Membership (M), and Value-Added Services (VA).

The Board of Governors accepted the report and referred it to the Executive Committee to develop detailed recommendations for consideration by the Board at the April 2007 Leadership Summit meeting. The Executive Committee created the Sections Strategic Implementation Task Force to develop the detailed recommendations.

Board Approved

The Sections Strategic Implementation Task Force outlined implementation steps for each of the Sections Strategic Task Force's categories of recommendations. On April 20, 2007, the CPCU Society's Board of Governors approved and accepted the Sections Strategic Implementation Task Force report.

The Board approved the formation of the Interest Group Resource and Governance (IGRC) Task Force to manage the implementation of the various tasks recommended except for OS4—Open Interest Groups to all Society members.

The Board requested that the Sections Strategic Implementation Task Force remain in existence to undertake the necessary research on OS4 and present to the Board at the 2008 Leadership Summit meeting.

The Board decided it will announce at the 2007 Annual Meeting and Seminars in Hawaii the timetable for moving from the name sections to interests groups. Until that time the title will remain "sections."

This article summarizes the Sections Strategic Implementation Task Force report and recommendations.

Task Force Members and Structure

W. Thomas Mellor, CPCU, CLU, ChFC, chaired the task force. Members of the task force were: **Karl M. Brondell, CPCU; Nancy S. Cahill, CPCU; Robert Michael Cass, J.D., CPCU; Donald William Cook, CPCU; Todd G. Popham, CPCU, CLU; Kathleen J. Robison, CPCU, CPIW, ARM, AU; Brian P. Savko, CPCU, CLU, ChFC; and John J. Kelly, CPCU**, as CPCU Society liaison. Tom Mellor, CPCU; Nancy Cahill, CPCU; and Kathleen Robison, CPCU, served on or consulted to the previous Sections Strategic Task Force.

The original Strategic Sections Task Force distributed its recommendations into four categories: Organization Structure, Leadership Development, Membership, and Value-Added Services. The current task force agreed on a division of work and organization structured around these four categories, and divided themselves into four teams. Each team identified steps to be undertaken in order to implement the recommendations.

Special Note: The task force understands that the actualization of its recommended implementation process will not be accomplished quickly. It will require the

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Sections Strategic Implementation Task Force Report Summary

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contributions, deliberations, and efforts of a large number of Society volunteers. It will also take time. The task force believes a two-to three-year timetable is realistic.

Organizational Structure

OS1—Re-brand Sections as Society Interest Groups

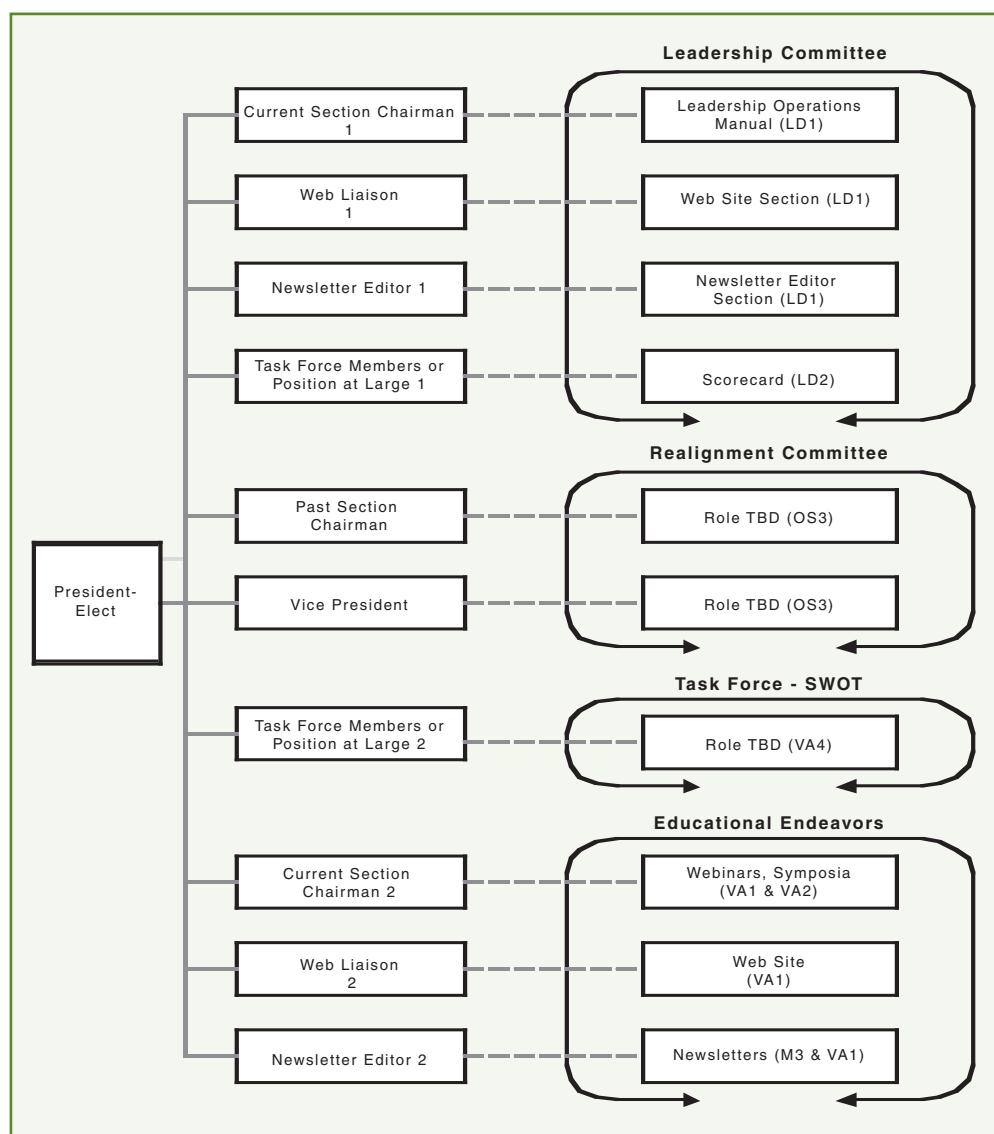
1. Authorize and implement new interest group names specifically using the words *Interest Group* in

the title (e.g. *Claims Interest Group*) and formally identify interest groups collectively as CPCU Society Interest Groups.

2. Determine appropriate interest groups that should exist by aligning the groups with current industry functions or by roles (such as leadership or project management).

3. Institute changes in verbiage from Section to Interest Group in all formal Society communications and materials (current sections publications, Society web site, stationery, etc.) to be effective on a specified date.
4. Communicate the changes to Society members, including impacts and rationale, via print and electronic media. This should be done in advance of the change date and also after the change date.

Table 1
Proposed Interest Group Resource and Governance (IGRG) Task Force and Sub-Task Forces



Special Note: The re-branding of sections as Society Interest Groups will be announced at the 2007 Annual Meeting and Seminars in Hawaii. A timetable will then be established for items 3 and 4.

OS2—Create CPCU Society Interest Group Resource and Governance (IGRG) Task Force

To manage and direct all of the changes recommended, the task force proposes the formation of the Interest Group Resources and Governance Task Force (IGRG). The IGRG's leadership and direction will provide continuity, consistency, and quality to this crucial transformational project.

The CPCU Society's president-elect will chair the IGRG. Each of the other members will be responsible for chairing a specific subcommittee dedicated to the implementation of a recommended group of tasks. (See Table 1.)

The recommended composition and responsibilities of the IGRG members are as follows:

- Society president-elect—chairman.
- Society vice president—assistant to the committee chairman/realignment.
- Two current section chairmen—leadership operations manual/educational webinar and symposia.
- One past section chairman—realignment.

- Two current or past web liaisons—leadership operations manual and web liaison section/educational endeavors (web site).
- Two current or past newsletter editors—leadership operations manual and newsletter edition section/educational endeavors (newsletter).
- Two task force members from the 2006–2007 task force or from the 2005–2006 task force. Immediate responsibilities to include Scorecards/SWOT Analysis.

Special Note: These recommendations encompass both the breadth and depth of sections' organization, products, services, and membership. The Sections Strategic Implementation Task Force quickly realized the enormity and complexity of the undertaking. It requires a large number of section and Society volunteers. If the reader is interested in servicing on this task force please let the Society know by e-mailing your name and e-mail address to Mary Drager at mdrager@cpcusociety.org.

OS3—Assess Current Sections and Align them with Major Industry Functions

1. Form a representative group of section members to determine the best alignment, including the possibility of combining, broadening, or eliminating current sections, and/or fostering the creation of new groups based upon industry findings. This group should undertake a research effort that focuses on aligning groups with current industry functions. (See Table 1).

OS4—Open Interest Groups to All Society Members

1. Determine the reaction and position of companies and members to this proposed change—especially if section membership dues are incorporated into general membership dues.

2. Determine a dues policy for members who wish to belong to more than one interest group (i.e. should they be surcharged for this?).
3. Determine a dues policy for lifetime retired members who wish to belong to one or more interest groups.
4. Determine the expense impact to the Society that would probably result from a significant increase in the interest groups' collective population.
5. Determine the impact to Society administration from an organizational, staffing need, and technological perspectives that could result from a significant increase in the interest groups' collective population.
6. Examine any potential negative consequences (e.g. possible dilution of perceived value in belonging to an interest group) that might result from including interest group membership within general membership.

Special Note: The Board requested that the Sections Strategic Implementation Task Force remain in existence to undertake the necessary research on OS4 and present to the Board at the 2008 Leadership Summit meeting. The IGRG will not be responsible for OS4.

Leadership Development

LD1—Formalize Standard Section Leader Training and Orientation for the Chairman, Newsletter Editor, and Web Liaison. This Training Will Include an Operations Manual and an Updated List of Best Practices.

1. Form a task force to develop an operations manual on leadership requirements for interest group chairmen, web liaisons, and

newsletter editors. The task force should establish a formal process for continuously updating the best practices. This should be a how-to manual on how to lead a section. The operations manual should include an overall section on the section leadership responsibilities. Within the operations manual there should be specific sections devoted to the responsibilities, tasks, checklists, timelines, etc. for the chairman, web liaison, and the newsletter editor.

2. Provide leadership training for incoming section chairmen, web liaisons, and newsletter editors. This training should occur before the person assumes his or her section leadership position. This training should occur at Leadership Summit, mid-year meetings, or chapter sponsored Society/NLI courses. Variations in leadership experience among interest group leaders should be taken into consideration when developing the leadership training. Outgoing interest group chairmen should continue to be a resource to the incoming leaders.

Leadership training for incoming section leadership should consider that those who have no leadership experience will require both basic management training (organizing, planning, controlling, decision making, motivations, and leadership), as well as training in "virtual leading" and/or leading volunteers. Those who have prior on-the-job leadership experience may require leadership techniques for motivating volunteers and/or leading "virtual teams."

3. In addition to leadership training, specific training for incoming web liaison and newsletter editors should be established. Two task forces should be formed, one for

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the web liaison position and one for newsletter editors. The task forces should develop the training curriculums for both positions. Training could be done by Society staff in Malvern or as an online course. The outgoing web liaisons and newsletter editors should continue to be a resource to the person coming into the positions.

LD2—Create a Developmental Scorecard for Section Volunteers and Society Members. *(This is something that section members and volunteers can present to their employer evidencing the technical and developmental value of membership.)*

1. A task force should be formed to develop a “tactical scorecard,” that can be used by section leadership to measure the section’s progress toward strategic goals and related tasks.

The scorecard criteria should be developed based on the results of the section SWOT analysis, as proposed under section VA4—Conduct SWOT analysis for each section. Each criterion should have a set of tasks, which are required to achieve the goal.

2. A task force should be formed to develop a “value scorecard,” which can be used by section members to evidence the technical and developmental value of membership. Consideration can be given to expanding this scorecard to the value of membership in the Society, not just interest group membership. Development of the “value scorecard” should consider:

a. The value to the member and the member’s employer of involvement in particular activities.

b. The role of the individual during the particular activities, i.e. leader, committee member, etc.

c. The skills and experience obtained as a result of involvement and role in particular activities.

Membership

M1—Create Value Statements and other Communications Tools to Promote Interest Groups

1. Collect the value statements and other communications currently used by the existing sections. Assess the current state of the value statements and communications against the new interest group branding strategy.
2. Assess and incorporate branding strategy for interest groups.
3. Solicit feedback from interest groups on gaps between current state and future state (focus groups, surveys, etc.).
4. Draft language for new value statements and communications, targeting the increased value (technical content, reduced cost, etc.) to existing members and incorporate new value statement and communications messages into society publications.

M2—Establish Affiliations between Interest Groups and other Industry Organizations (e.g., PLRB, The “Big I,” and RIMS)

1. Identify key organizations to focus our research by soliciting feedback from sections and the CPCU Society.
2. Assess the current collaboration between interest groups and key industry organizations (focus groups, surveys, etc.).
3. Assess the current collaboration activity against new opportunities with joint sessions with interest groups and key industry organizations.

4. Draft and validate an action plan to build collaboration.
5. Confirm plan with interest groups and industry organizations.
6. Publicize new direction in CPCU Society publications.

M3—Refresh the Interest Group Newsletters

1. Examine alternative publication options to current newsletters, including the potential use of a magazine-styled compilation of comprehensive interest section information and articles in a journal-style publication.

M4—Designate Liaison(s) to Promote Interest Group Benefits to Chapters, Major Employers, and the Insurance Services Community

1. Identify the key major employers and insurance services community organizations.
2. Assess the current outreach underway between interest groups and local chapters, major employers, and the insurance services community (focus groups, surveys, etc.) and identify gaps.
3. Identify responsibilities of a liaison and prepare training conducted for liaisons by the Society.
4. Identify liaison volunteers, establish a process for selecting them, and introduce and promote them through various industry publications.

M5—Strengthen Connection between CPCU Society and Accredited Risk Management and Insurance Degree Programs

1. Identify the key major insurance degree programs to focus our research by soliciting feedback from sections and CPCU Society.

2. Assess current outreach underway between sections and key insurance programs (focus groups, surveys, etc.).
3. Identify new collaboration opportunities with joint sessions between interest groups and industry organizations and develop and implement an action plan to institute collaboration between interest groups and insurance degree providers.
4. Publicize new direction in CPCU Society publications.

Value-Added Services

VA1—Develop Consistent Format and Content Standards for Core Interest Group Offerings (Newsletter, Web, Symposia)

1. Create a committee for each—newsletter (this dovetails with M3 and might best be accomplished there), web, symposia. Each committee should be composed of section members responsible for the format. Each committee chairman would be a member of the Interest Group Resource and Governance Committee.
2. The committee establishes guidelines and templates for each: newsletter, web, symposia.
3. The committee is responsible for coaching and mentoring the sections on the guidelines and templates.

VA2—Expand Delivery Methods of Technical Content

1. Establish a vehicle, guidelines, and templates for webinars. The webinars would focus on pertinent and timely topics that are delivered in one hour or less. The structure should be such that it will easily facilitate the rapid development and presentation of a topic.

2. Establish guidelines, templates, and vehicles for teleconferences and videoconferences.
3. Expand delivery of technical content by partnering with other insurance organizations and presenting at their meetings.
4. Each committee outlined in VA1 would also be charged with the responsibility of identifying avenues to expand the delivery methods of technical content.

VA3—Encourage Interest Groups to Convert Highest Rated Annual Meeting Technical Seminars into Symposia

1. Within 30 days of the Annual Meeting and Seminars, the Interest Group Resource and Governance Committee selects three to five technical seminars. The selection is based upon the rating feedback sheets, number of persons attending the seminars, and the pertinence of the information content.
2. The Society and the section seminar liaisons will format and package the seminars making them available to the chapters and as regional meetings as in VA3.
3. The top three to five seminars would be packaged into a day of training, knowledge transfer, and held four to six months after the Annual Meeting and Seminars at three different strategic sites around the country.

VA4—Conduct SWOT Analysis for Each Interest Group; Implement Findings

1. Introduce the SWOT concept to the section chairmen during the sections leadership meeting with reference material at the Leadership Summit in Orlando.

2. At the 2007 Leadership Summit, the section chairmen would identify a committee member responsible for the SWOT analysis as a “point person” for contact.
3. Designate a SWOT coordinator to liaison and assist the section SWOT “point persons” in conducting the SWOT within each section. The SWOT coordinator would be a member of the section task force, and ideally would transition to serve on the initial Interest Group Resource and Governance Committee. This group would develop a SWOT template to be used by all sections. In addition, they would develop and conduct a SWOT training program.

4. Before the 2007 Annual Meeting and Seminars, a SWOT training program for section chairmen and all other interested section committee members would be conducted through an appropriate medium.
5. At the 2007 Annual Meeting and Seminars, the section chairmen will conduct the SWOT analysis with his or her committee and complete the SWOT templates.
6. Society Interest Group Resource and Governance Committee would review, coordinate, encourage, and challenge each interest group to then create interest group goals based upon the SWOT. ■

Storybook Landscapes Along the Rhine

by Veronica M. Molloy, CPCU, CIC, ARM

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

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

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

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

There is little crime except for bike violations.

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

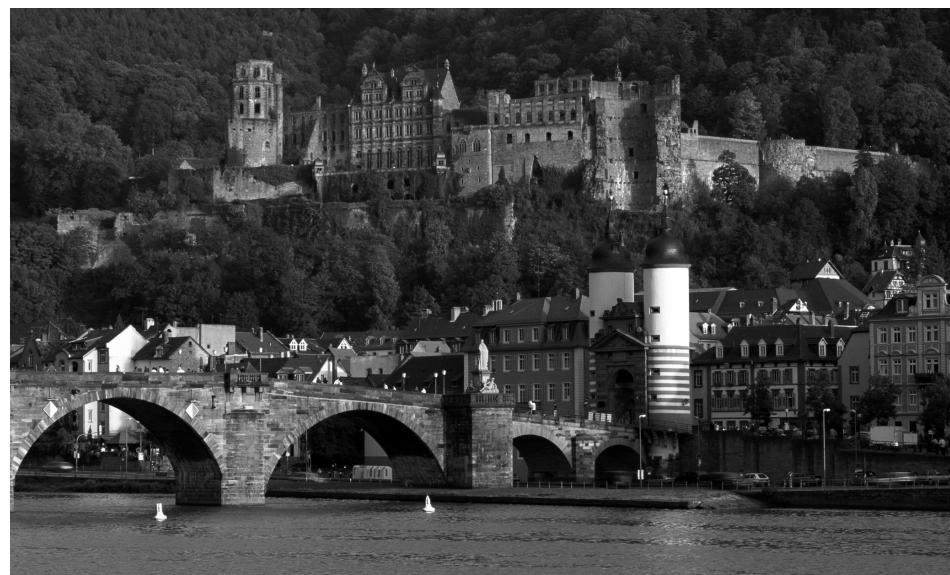
In Enkhuizen, we experienced the best in Netherlands hospitality. Our group separated into smaller sections and each visited a native family. We learned how they lived, where they worked, how they perhaps came from another country, and what they enjoyed most about living in The Netherlands. They treated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

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

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

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

Some of us took an optional tour to Bruehl Castle, copied after Versailles' Baroque style. It was royalty's summer palace complete with acres of topiary





maze-like gardens. The pastel mosaic walls and gold leaf-painted dome ceilings are reminiscent of St. Peters Basilica in Rome.

We next sailed to Koblenz, where the Rhine and Mainz Rivers converge. An oversized bronze William I on his horse sits proudly at the meeting point. From here an optional trip for the athletically adept visited Marksburg Castle for a totally different experience. Perched atop a steep cobblestone hillside, is the thirteenth century true “knights’ castle.”

This is the only thirteenth century castle not destroyed in the war. The three towers, knights’ armor room, wine brewery, and open hearth kitchen in their original rawness made you feel as if you stepped back to the middle ages.

Sailing from Koblenz, we sighted the Lorelei. We had read about the siren that lured sailors to their deaths around a sharp curve in the Rhine; but seeing it made it all too real. We made our trip safely. We were in true “castle country” now as we sailed toward Mainz. Castles

sat on every hillside and made great picture-taking opportunities. It didn’t matter that some were partially destroyed. There was little elbow room on the top deck or at the salon windows of our ship.

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

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



The Personal Lines Section Committee met at the CPCU Society’s Leadership Summit in April in Orlando, FL.

Protecting Your Most Valuable Assets

by Loren B. Gallogly III, CPCU, ARe

Loren B. Gallogly III, CPCU, ARe, is director of underwriting for Citizens Property Insurance Corporation in Jacksonville, Florida.

Gallogly received his B.A. from the University of Alabama in Tuscaloosa. He is a Chartered Property Casualty Underwriter (CPCU) and also holds the Associate in Reinsurance (ARe) designation. He is currently a member of the Society's Personal Lines Section Committee and a member of the CPCU Society's North Florida Chapter. He is a past president of the North Alabama Chapter in Birmingham, Alabama.

Prior to joining Citizens in 2005, he held management positions in marketing and underwriting for several companies in Florida and the Southeast.

The property and casualty insurance industry is, to a great degree, relationship driven. These relationships can have an immense impact on your career and experiences within the industry.

When people in the insurance industry discuss protecting assets, many of us immediately think of a personal articles floater to protect items such as jewelry, furs, and similar valuable property. These items are important, but for purposes of this discussion, we will focus on something very different—our professional reputation and our relationships with others.

As valuable as material possessions can be, they pale in comparison to the intrinsic value of one's reputation. Young people entering the industry must learn this quickly because their career advancement could depend on it. A supervisor of mine once told me of the importance of treating all co-workers with respect regardless of their position. He always said, "You never know who you may be working for someday." These words are very important since every

employee plays a part in advancing an organization's goals and objectives. Later in my career this individual began reporting to me. We shared the same professional and respectful relationship in this environment as we had when I reported to him. Although we are no longer working together, we continue to stay in contact, and to this day he is someone for whom I have great respect.

Building an effective network within the industry is important for several reasons. First, others in the industry have different experiences and a different perspective than you. Their perspective can be important as you deal with issues and solve problems in your professional life. The ability to access others whose broad experience could enable you to view a situation in a totally different manner is invaluable. Your network will depend on you occasionally, and when a request is made, take the opportunity to offer your knowledge and experience. Every opportunity you have to provide your insight should be viewed as an honor. It is recognition that you are someone whose opinions are valued.

In addition to being a resource for information, your network can also provide you with career opportunities. It is well known that many open positions in our industry are not formally posted or advertised. Often these positions are filled by utilizing networks to locate good prospects. The fact that most people treat their network with utmost regard and attention means that these referrals are handled in a very respectful manner. This results in people recommending individuals that they would hire themselves. One of the most valuable aspects of a network is that it is self-perpetuating, as generally the membership looks after the best interests of each other.

Early in my career I experienced just how important the network can be. I got caught up in the early stages of management breakup at the company where I worked. One of the most

heartening things that occurred to me was how hard friends and associates worked to help me find other career opportunities. Fortunately, between my efforts and those of my network, I landed an outstanding position. This experience taught me just how important a network can be. Ever since then, I go to great lengths to assist friends who are seeking other career opportunities.

It is also necessary to stay in contact with your associates on a regular basis. Be careful to avoid the contact being frequently related to a request for information. An occasional hello keeps the relationship fresh. As busy as we are, it is easy to overlook this, but this level of attention can really save a relationship. Recently, one of my professional friends told me that an associate was exasperated with me. He indicated that the other person felt that many of my contacts were requests for information and that rarely did I seem concerned about things of interest to him. As I reflected on this, the message rang true. I gave this person a call, and we had one of the longest and most satisfying exchanges ever. Working your network takes some effort, but in the long run, the return on time invested can be very rewarding.

Although all of us want to have a "fast track to the top," the simple truth for most of us is that advancement comes on its own timetable after we pay our dues. One of the most important things that you can do to create career opportunities is to develop a reputation of being accessible and honest. Of all the things that you do, guard your reputation like you would a family heirloom. It is truly the only thing you can take with you.

We are all very fortunate to work in a wonderful industry during dynamic times such as what we are experiencing. I hope you love this industry as much as I do. Remember that on our professional journey, getting there is half the fun. Enjoy your journey! ■

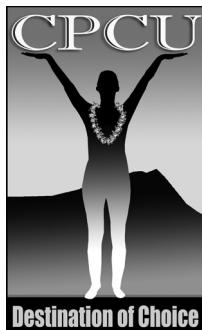
Carol M. Busse Receives Award for Academic Excellence from Insurance Institute of America

The Insurance Institute of America (IIA) presented an Award for Academic Excellence in the Associate in Personal Insurance (API) Program to Carol M. Busse, API. The award is given each year to two graduates with outstanding cumulative grade averages for the national examinations in this Institute program. Each winner of an Award for Academic Excellence receives a \$250 cash award and a commemorative plaque. The CPCU Society and Personal Lines Section sponsored the award.

Busse joined Amica Mutual Insurance Company in 1991 as a customer service representative and was later promoted to senior supervising account representative. She attended Washington State University in Pullman, Washington. In addition to the API designation, Busse holds the Program in General Insurance (INS) certificate from the Insurance Institute of America.

She and her husband, George, live in Bellevue, Washington. They have two grown children and one grandson.

Personal Lines Section Breakfast



Tuesday, September 11 • 7 – 8:15 a.m.

All are welcome to attend this special breakfast, where **Doug Akin**, vice president of claims for Hawaiian Insurance and Guaranty Company, will talk about the unique differences of handling hurricane claims in Hawaii compared with the mainland.

Tickets are required. Annual Meeting attendees who registered and paid for this event will find a ticket in their registration packet. Additional tickets can be purchased at the Annual Meeting Registration Booth.



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