

### Chair's Corner — No Cost Personal Lines Web Resources

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



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One of the great things about the Internet is the sheer amount of free information available — much of it from federal agencies. This maxim certainly applies to personal lines insurance and risk management. For example, you can quickly determine if you (or your clients) live in a high-risk flood zone.

Go to [www.floodsmart.gov](http://www.floodsmart.gov) and look on the right side of the home page under the heading, "One-Step Flood Risk Profile." Enter your address to see if you are in a moderate-to-low-risk flood zone or in a high-risk flood zone. The website also provides an estimated premium for contents only, building only or both. In addition, flood maps for most communities are readily available on this website.

The U.S. Geological Survey (USGS) offers valuable information for determining if you (or any of your clients) live in an area prone to earthquakes. Go to [www.usgs.gov](http://www.usgs.gov) and follow these steps:

- (1) Select the orange rectangular box titled "Hazards" at the top of the page.
- (2) Choose the earthquake hazards link near the top left side of the page.

- (3) Select "Earthquakes — Info by State" at the bottom left side of the page.
- (4) You are then presented with "state options."
- (5) Select a state, such as Tennessee.
- (6) Under the "Maps" heading, select "Seismic Hazard Map of Tennessee."

A quick look at this map indicates that the area to the north of Memphis is the higher-risk part of the state for earthquakes. This type of information can be very helpful in making the proper decision concerning earthquake insurance for a residence.

Sinkholes are another peril to consider for certain states. Sinkholes cause the most damage in Alabama, Florida, Kentucky, Missouri, Pennsylvania, Tennessee and Texas. The USGS has a map that shows the areas of the country where certain rock types may be susceptible to sinkholes.

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# Chair's Corner — No Cost Personal Lines Web Resources

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Other perils on which the USGS website provides excellent information are volcanoes and mudslides. The site offers detailed information and maps for the states most exposed to volcanoes — Alaska, California, Hawaii, Oregon, Washington and Wyoming. For example, the USGS provides a map of the western U.S. volcanoes monitored by the Cascades Volcano Observatory.

Taking advantage of these free resources is an effective way of gauging your own catastrophe loss exposures or that of your clients. If you are a personal lines insurance agent, these resources provide a great way of standing out from other insurance agents who are simply “personal lines insurance order takers.”

A word of caution, however, must also apply here: Don't trust all the information you find on the Internet. Many of the articles you find there are incorrect, biased in some way or out of date, particularly articles about the nuances of insurance coverage. Always consider the credibility of the information source and try to determine a publication date before you rely on it. Of course, government sites such as the ones recommended above will usually pass this test.

On another note, the Personal Lines Interest Group Committee is working diligently for you, our CPCU Society members. We are planning another great seminar for the CPCU Society Annual Meeting and Seminars in Las Vegas, Oct. 22–25. The title of the two-hour seminar is “Channel Fusion — The ‘Big Money Bet’ for Personal Lines.”

This session will provide a robust discussion of the pros and cons of the various distribution channels that insurers are using to market their products. The desired state of “Channel Fusion” occurs when the sum of your channels is equal to more than the individual channels combined. In other words, your individual



channels benefit from each other as well as excelling in their own right.

Also, this seminar program perfectly reflects “A Winning Strategy!” Channel considerations are very much strategic “bets,” which many carriers must decide how to handle. Developing a “winning strategy” around a channel approach is imperative in today's marketplace, given the changing nature of technology and how personal lines consumers wish to purchase insurance and have it serviced.

This seminar is designed to help you understand how the various channels function; not only singularly, but also how they interact with each other. Please give some serious consideration for attending this session and the Annual Meeting.

Best wishes to all for a long, fun and relaxing summer! ■

# 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 Central Illinois Chapter, and is past president of the Southwestern Michigan Chapter and past chair of the Personal Lines Interest Group.

Severe weather has been the unfortunate headline too many times this spring as various areas are off to a wet and stormy start. It goes without saying that property and possessions are replaceable while lives are not. Let's hope for a calmer remainder of the summer, and a speedy recovery for those affected by the destructive power of Mother Nature.

My own experiences? Well, during a recent tornado watch, a very dark "wall cloud" approached our town in Central Illinois. Not to make light of any recent situations, but my kids and I weren't the only ones on our front porches — several neighbors were doing the same thing. How many of us do that? I spoke to a few co-workers the next day, and it ran about 50/50 — some headed for cover while others did what we did, knowing we have a short dash for refuge if we start to feel things are getting too hazardous.

Do you have a storm experience? Please send it to me and consider helping to educate our PLIG membership in regard to your events. I won't try to explain the reasons for my own behavior and neither should you!

So stay safe, respect Mother Nature and please enjoy this latest issue of *Personally Speaking*, which is full of good articles.

- A word from our chair, **Robin "Rob" K. Olson, CPCU, CRIS, ARM, AAM, ARP**, encouraging you to consider the friendly World Wide Web for free personal lines resource tips as well as a preview of our interest group happenings in Las Vegas this fall.
- A very good reminder for all of our dog owners from **Donna J. Popow, Esq., CPCU, AIC**, ethics counsel and senior director of knowledge resources at The Institutes, with regard to the risk that "any dog can bite."
- Are you experiencing "Brain Drain" due to retirements at your company? Lots of folks are, and **Nancy Germond, MA, SPHR, ARM, AIC, ITP**, president of Insurance Writer, shares her white paper on the matter.

Until next time ... ■

## 2011 Annual Meeting and Seminars Oct. 22–25 • Las Vegas, Nev.

*The Personal Lines Interest Group Presents*

### Personal Lines Interest Group Breakfast

Sunday, Oct. 23 • 7–8 a.m.

Enjoy a wonderful breakfast, great conversation and some important tips from speaker **David A. Thompson, CPCU, AAI, API**, an instructor with the Florida Association of Insurance Agents, on "Kids, Cars and Insurance — Nightmare on Elm Street." Tickets are required.

### Channel Fusion — The "Big Money Bet" for Personal Lines

Monday, Oct. 24 • 1:30–3:30 p.m.

Get ready for a robust discussion of the pros and cons of the various distribution channels insurers are using to market their products.



# Canine Risk Management

by Donna J. Popow, Esq., CPCU, AIC



**Donna J. Popow, Esq., CPCU, AIC,** is a senior director of knowledge resources and ethics counsel for The Institutes. For knowledge resources, she is responsible for all aspects of claim education, and in her role as ethics counsel, Popow investigates ethics complaints and oversees the adjudication process. Her prior experience before joining The Institutes in 2002 includes various claim positions with insurers, working for the New Jersey Department of Insurance and working in private practice. Popow serves as The Institutes' liaison to the CPCU Society's Ethics Committee.

**C**ongratulations! You are the proud owner of a puppy or rescue dog. There are lots of things you will learn throughout the lifetime of your dog. You will learn their needs, their signals and their vocalizations. You will also teach your dog many things, such as basic obedience and tricks. And all the while, you will keep your fingers crossed that your dog never bites a person or another dog because that can mean a financial loss as well as the possible loss of the dog.

As responsible dog owners, we have an obligation to our families and to the general public to ensure that our dogs will be well behaved. But the bottom line is that any dog, no matter how well trained, can bite.

Because of the seriousness of a dog bite, some insurance companies are asking policyholders and applicants what breed of dog they own. In some instances, the insurance companies are refusing to write or renew a policy because of the presence of a specific breed in the household.

So what can you, the responsible dog owner, do to manage the risk of dog ownership and convince your insurer that "Fluffy" isn't dangerous? There are a number of things you can do once you realize that dog ownership is not much different than the risk of car ownership.

Suppose you have an 18-year-old new driver in your household. You would do several things to make sure that the 18-year-old became a safe driver. You would send the 18-year-old to driver training. You would make sure the car the 18-year-old will be driving is in good working order. You might even monitor or restrict use of the vehicle to certain hours or situations.

Responsible dog ownership is no different. To begin, select a puppy or dog compatible with your lifestyle. If you don't have the time or energy to exercise a high energy dog, the dog will

become frustrated and more likely to bite. Research the breed and talk to owners or the foster parents to find out the true nature of the dog.

Once you bring your puppy or dog home, begin training. Seek out a reputable dog trainer to learn basic obedience. This applies even if you are rescuing an older dog. You will have to discover what commands the dog already knows, and the dog will have to learn what these commands sound and look like when you issue them. Involve the entire family in the training classes and at-home practice. Consistency in commands is very important.

Consider getting your dog certified as a Canine Good Citizen. Many insurance companies look favorably on dogs with this certification. Information on this certification can be found at [www.akc.org/events/cgc](http://www.akc.org/events/cgc).

Make sure your dog is healthy. A dog in discomfort will be more likely to bite. Keeping your dog healthy has two aspects to it — physical health and mental health. Obviously, your dog should have a yearly physical, and regular vaccinations are a must. But there is more you can do. Every day or two, run your hands all over your dog. Check for cuts, ticks, tenderness, lumps and bumps. If you find something or your dog reacts as if in pain, get the dog checked by a vet. Don't neglect his or her teeth. Training your dog to allow you to brush his or her teeth is very important. Bad teeth make a dog miserable and can be very costly to correct.

Keeping your dog mentally healthy is equally important. Socialize your new puppy with other dogs in a controlled environment. You can't expect your dog to like every dog it meets, but you should give your dog the opportunity to interact frequently with its own species. Dogs that aren't socialized with other dogs will never learn proper "dog



etiquette.” An unsocialized dog can provoke a bite simply because another dog finds the behavior unacceptable. Similarly, don’t expect your dog to like every person it meets. Take control of the situation when introducing your dog to other people, especially children. It is your responsibility not to put your dog in dangerous situations. If you are at the park, watch the dogs and owners before allowing your dog to go in. Look out for the inattentive owner and the dog that is acting territorial or aggressive.

Remember that dogs are pack animals. They see you and your family as their pack. They want a responsible pack leader, someone who is in control all the time. A dog kept isolated from the pack or is ignored by its pack is likely to become frustrated and possibly bite. Plan activities that include your dog. If you have been away all day, your dog will want a long walk and some playtime with you when you come home. For a healthier dog, figure out a way to make this happen.

Some dogs, depending on the breed, will want to work. If you get a dog from the working dog group, you will have to give the dog a job in order for it to maintain its mental health. Many responsible dog owners train their dogs in agility, flyball, obedience and freestyle dance to create a job for the dog. The classes are a great way to bond with your dog.

Realizing what your dog was bred to do also alerts you to potentially dangerous situations for you and your dog. If your dog is a herder, don’t be surprised if it tries to herd the kids in the yard or all the dogs at the park. If your dog is a terrier, remember that it was bred to chase and kill vermin. Cats, birds and squirrels may all be fair game to a terrier. If your dog is born to run, it is likely to run even if you are at the end of the leash. Finding a safe place for your dog to run will be very important for your dog’s mental health.

Be alert to your dog’s signals. Body language and vocalizations can give you warning that your dog is concerned or fearful.

There is no guarantee that your dog will never bite, but these suggestions will help minimize the potential exposure. Implementing these suggestions will also be useful should you ever have to convince the insurance company that your dog doesn’t fit the breed profile they have used.

Managing the risk of dog ownership will benefit you, your family, your insurance company, the general public and especially your dog. Be a responsible dog owner, and you will become the person your dog thinks you are! ■



# Brain Drain

## *Twenty-Two Steps to Reduce the Impact of Retirement and Increase Employee Retention*

by Nancy Germond, MA, SPHR, ARM, AIC, ITP



**Nancy Germond, MA, SPHR, ARM, AIC, ITP**, president of Insurance Writer, develops marketing material and training curricula, and provides consulting services for insurance carriers, agents and vendors that service the insurance industry. A skilled and experienced presenter, her relaxed and humorous presentations focus on societal risks impacting today's risk management professional as well as tips for tightening day-to-day claims operations. You can contact her through [insurancewriter.com](http://insurancewriter.com) or via email at [nancy@insurancewriter.com](mailto:nancy@insurancewriter.com).

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### Executive Summary

**I**s your organization ready to lose up to 25 percent of its intellectual capital in the next decade? More than one quarter of the U.S. working population will be old enough to retire in less than three years, according to the U.S. Bureau of Labor Statistics. This may lead to a shortfall of nearly 10 million workers. Add this flight to an average job stay of four years, where today's employees switch to a competitor without so much as a backward glance, and businesses in America are at risk.

America is poised for a brain drain so dramatic that many companies will find themselves unprepared to face the upcoming talent shortage. Yet it appears few companies are taking proactive steps to deal with the coming talent crunch.

This paper explores actions companies can take to manage looming intellectual losses. Some are straightforward; some will take more planning. Any organizational change comes from the top, so industry leaders must take proactive steps to deal swiftly and strategically with the changes our workforce will undergo in the coming years.

As companies increasingly rely on intellectual capital, the value of workforce intelligence to an organization cannot be overstated. This paper offers solid solutions to address the looming loss of intellectual capacity. There is little doubt that the insurance industry, so reliant on intellectual capital, should be at the forefront of addressing this important trend.

### Where Did All the Experts Go?

Brain drain historically has been defined as the loss of human skills in developing nations, usually due to the migration of trained individuals to more industrialized nations or jurisdictions. However, as baby boomers begin to retire, the term is increasingly used to describe the loss of

intellectual capital to U.S. organizations. Downsizing also takes its toll on workforce intelligence.

The U.S. workforce has changed dramatically. A baby boomer's parents may have held one job in their entire careers; experts estimate a typical young American will hold from seven to 10 different jobs before retirement. Insurance organizations, while they may not yet feel the pinch, are currently experiencing brain drain as long-term employees leave a company to retire, switch employers or change careers. There is little doubt — insurance organizations are about to see dramatic changes resulting from this exodus.

Future employment demographics should sound an alarm to insurance companies in America. Over time, the lack of top talent can be devastating to an organization, especially in an industry as complex as insurance. Add an increasing dependence on technology, and future employee skill deficits are a certainty, not just a theory. While this exodus is beginning to hit the insurance industry now, it will accelerate greatly in the next few years, as aging boomers, those best placed to assume senior management roles, retire. This talent shrinkage must be managed now, before organizations find themselves in crisis.

### Penny-Wise, Pound Foolish?

It may seem profitable to replace an older, more costly employee with a younger person. However, organizations may lose a great deal more than they bargained for with that replacement. With the departure of these highly experienced employees, companies lose more than their individual expertise. Also lost is what psychologist **Daniel Wegner** calls "transactive memory."<sup>1</sup> Transactive memory is information a person accesses which is outside of his or her own memory, information routinely called up by using another person's memory.<sup>2</sup>

Groups where this transactive memory is understood and valued function better than groups that lack this trait.<sup>3</sup>

Take co-workers, for example. On a difficult property claim, an adjuster may turn to a co-worker and ask, “What is the name of that engineer we used a few years ago in Georgia on that storm-surge claim?” Our brains can store only so much information. If we have access to people around us who may be more suited to remember a particular type of information, then we don’t have to work as hard to remember items that we don’t understand, don’t recall or that we don’t need at the time we hear it.

Brain drain slows down the work process and impairs a company’s product quality. It can result in inefficiency due to the time it takes employees to find new co-workers with the information they may need. It can also result in costly mistakes resulting in lawsuits, lost subrogation opportunities or claims paid, ones that with a thorough investigation would have been denied. Probably most importantly, a workforce lacking robust intellectual capital loses its strategic advantages and abilities to respond quickly to business opportunities.

Insurance professionals are concerned about brain drain, yet even a casual review of insurance literature shows that much of the focus in industry research centers on improving technology to enhance operations. Even the term “human-resource management” seems to be morphing into a robot-like term, “human-capital management.” This disembodied approach seems to negate the fact that we’re still dealing with people; yes, they may be “capital” to a company, but most employees would be offended to hear themselves referred to in that manner. “Talent management,” the new euphemism for recruiting and retaining employees, again seems to dehumanize the worker. Few people appreciate being “managed” or referred to as “capital.”

The emphasis in insurance companies seems to have shifted away from quality toward quantity. How much faster can we complete a process appears to be the question. Can we settle a claim in 30 days, even if we have to throw more money at it? Has customer service and quality been forgotten in the effort to improve company operations? Have we, in an effort to increase profits, driven much of our brightest talent right out the door?

*America is poised for a brain drain so dramatic that many companies will find themselves unprepared to face the upcoming talent shortage.*

### **The Devalued Older Worker**

Insurance message boards are filled with complaints from older, highly experienced insurance professionals who cannot find work, some with two to three decades of knowledge. “I have a solution to the brain drain in the insurance industry. Hire me and all those still looking for work ... and some of the people whose résumés are posted on the Broward County RIMS website, among others,”<sup>4</sup> one frustrated professional said in a June 2007 online risk management discussion. If these complaints are true, the widespread reluctance by insurance organizations to hire older, experienced workers may backfire due to the lack of new talent breaking down doors to enter the industry.

Nowhere is brain drain felt more acutely, it appears, than in claims departments nationwide. According to Conning Research & Consulting,<sup>5</sup> 70 percent of the nation’s adjusting staff is age 40 or older. “I have found this [talent leakage] particularly true in the claims arena,” according to **James Brittle**, a producer in the National Accounts division of

Cobbs, Allen & Hall in Birmingham, Alabama. “Coming from the highly engineered chemical and energy field, try to find one carrier that still has experienced and knowledgeable adjusters to handle property claims. There are two options — young and inexperienced or experienced and independent. The latter group is getting smaller and smaller. It’s not real comforting.”<sup>6</sup>

### **How Can Companies Prevent Brain Drain?**

Here are some possible solutions to this problem:

#### **Analyze Current Workforce Strengths and Talents to Determine Core Competencies**

If an employee’s store of knowledge is known only to a few co-workers, then it is largely useless to the organization as a whole. It becomes an information silo, a vertical information cluster that is not transmitted laterally to co-workers, usually to the detriment of the organization. Analyzing employees’ expertise and knowledge, and categorizing it so that it becomes accessible by other employees and departments are critical to improving and strengthening the workforce.

#### **Determine through Surveys or Informal Meetings or Email Queries where Employees Go for Specific Information**

Who are your employees’ “information agents” in given areas? Imagine this scenario — a Lloyd’s underwriter wants to issue a binding authority to an agent in Florida. Before agreeing, however, the underwriter must determine wildfire hazards in the counties where the agent wants to write business. If the underwriter can, with a few keystrokes, search a database that shows Lloyd’s experts who understand catastrophe modeling and perhaps understand wildfire exposures particularly well, the decision to issue the binding authority can be made more

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easily and accurately, not to mention more quickly.

Knowledge asset mapping, written about extensively by British researcher **Bernard Marr**, allows organizations to locate and diagram internal knowledge. This visualization of intellectual capital, which Marr states is the “principal basis for competitive advantage,” can then be used as a strategic planning tool so that organizations can predict future intelligence gaps before they occur.

Today’s organizations must be agile to compete. Classifying employee knowledge to make it more accessible to others in the organization can help companies make decisions rapidly. It goes without saying that companies such as Apple Inc. have seized marketplace opportunities to catapult themselves into leadership positions. Without sufficient intellectual capital, however, a company may not be robust enough to respond to opportunities as they arise.

## **Prepare to Replace Exiting Information Agents when Those Employees Retire**

In smaller organizations, this process may not be formal. It may be as simple as acknowledging an employee who is an expert on a subject is leaving. Notify all employees of the loss of this person, then, direct them to another employee who may not have as much knowledge but has some knowledge in that area. The company must develop incentives and time frames so that newer information agents can become experts on specific topics as gaps arise, and hopefully before they arise.

## **Determine Which Employees Are Potential Flight Risks, whether to Retirement, Recruitment or Family Pressures Such As Aging Parents**

Talk openly with employees who are considering retirement or having home/work difficulties to determine how you can retain them. Flexibility is the key — the employee may need more time off or greater leeway to work non-core hours or to work at home. If the Family and

Medical Leave Act (FMLA) is voluntary, your organization should consider allowing FMLA leave.

## **Hire Retiring Employees as Consultants on a Part-Time Basis to Retain their Expertise**

With increasing cost of medical care for retirees, many welcome a supplement to their retirement income. Adding benefit package components that appeal to older workers, such as long-term care insurance or prorated health coverage from part-time work, may help retain them as well.

## **Provide Incentives for Employees to Consider Postponing Retirement**

When an organization considers the total impact of losing a long-term employee, it is generally cheaper to retain that employee than to hire and train a replacement, especially if the employee’s knowledge routinely saves the company money. Consider the following scenario:

A claims manager will retire in two years, working more than 30 years for just two carriers. He is one of the top arson investigators in the Midwest, taking dozens of arson claims to trial or to closure. Currently, there is no one else in his company who handles arson files without his supervision, and no one who remotely approaches his level of expertise.

What happens to this company when he leaves? How much will his departure cost the company in terms of claim payments that might have, with his expertise, been compromised or denied? Can this organization really afford to lose the employee’s expertise without a solid exit strategy?

## **Use Technology to Drive Intra-Company Communications**

Intranets, videoconferencing, peer-to-peer technology and podcasts are information portals that allow workers to communicate over distance and varying time zones. Encourage disparate and divergent workers to develop virtual relationships to share ideas and solve

problems using these tools. Why not take advantage of your global workforce?

## **Establish ‘Practice Communities’ where Individuals from Various Departments — Claims, Underwriting, Marketing and Reinsurance — Meet Regularly to Solve Problems**

According to **James Surowiecki**, author of *The Wisdom of Crowds*, a crowd is a group of diverse people with differing levels of intelligence and information who collectively make smart decisions. A good example of this wisdom, as many claim managers have found, is “round tabling” a claim. Allowing a group of adjusters with varying amounts of experience to determine a claim’s value or to develop a plan of action to kick a stalled claim forward often provides excellent results and acts as a learning tool for less experienced team members.

Surowiecki defines four elements that make a smart crowd. He recommends a diverse group because each person will bring a different set of experiences to the process. The crowd should have no leader, so that the group’s answer can emerge, but there must be a way to articulate the crowd’s verdict. Finally, people in the crowd must be self-confident enough to rely on their own judgment without undue influence from other group members.

With today’s sophisticated technology, organizations don’t have to rely solely on local talent. A company-wide initiative can be implemented readily with some help from your organization’s information technology department. Practice communities build virtual relationships, which in turn make employees more connected to the organization.

## **Organize and Memorialize Your Practice Community Results with Wikis, a Decade-Old Web Application that Allows Many People to Collaborate on a Single Document**

There are several sites dedicated to collaborative writing, including [www.writeboard.com](http://www.writeboard.com), and [www.writer.zoho.com](http://www.writer.zoho.com). Visit [www.wikipedia.org](http://www.wikipedia.org),



the online encyclopedia written by collaboration, to view an example of wiki technology at its finest.

### **Implement a Formal Mentoring Program.**

Some insurance organizations have implemented mentoring programs. The National Association of Catastrophe Adjusters ([www.nacatadj.org](http://www.nacatadj.org)) formed a mentoring program in 2005. While not online, it matches new adjusters eager to learn CAT adjusting with experienced field adjusters.

Aon Services Corporation is almost a year into an ambitious mentoring project. With 600 Aon employees in the pilot program, developed with assistance from Triple Creek Associates Inc. in Colorado, Aon expects to roll out the program companywide. The program was not limited to senior manager mentors; anyone in the organization with good performance was eligible to participate. "This challenged our operational paradigms, to have a junior person mentoring a senior person,"<sup>8</sup> according to **Talethea M. Best**, Aon's director of U.S. talent development.

The results have been positive, she reports. Eighty-six percent of the mentees and 62 percent of the mentors who responded to a recent survey felt that the mentoring process improved their own performance. Eighty-five percent of the mentees and 78 percent of the mentors would participate again if asked.

"We encouraged a protégé-driven process," Best said. Potential mentees used a computerized platform with specific parameters to search for what they wanted in the mentor relationship. "It was a win/win for all involved," Best said.

"This [mentoring project] was an opportunity for us to think more strategically," Best reported. "To retain employees, it is critical to make people feel invested and engaged. How do you make folks feel like they make a significant contribution? Mentoring is a

way to address that" at a cost of pennies per employee, Best said.

Not all managers are mentor material. To be effective, mentors must receive some training in how to mentor. Aon addressed this concern with initial employee development workshops.

To ensure the highest quality mentorship for your employees, it is critical that mentors are carefully selected not only for their technical skills, but for their ability to communicate effectively in an increasingly diverse workforce.

***It may seem profitable to replace an older, more costly employee with a younger person. However, organizations may lose a great deal more than they bargained for with that replacement.***

### **Pool Knowledge across Organizations**

Your Encore, founded by The Procter & Gamble Company and Eli Lilly and Company, is a society of retired research scientists and engineers who "continue to provide value — at its highest level — to companies on a consulting basis," according to its website. The insurance industry is particularly well suited to this approach because risk pools changed the face of insurance, so the models to implement this approach are already well accepted by our industry. Don't be unreasonable with information, but do set some ground rules and ensure employees comprehend which information is proprietary and which can be shared.

### **Crosstrain Employees**

"A former employer of mine combined the loss control and underwriting functions to 'Loss Control/Field Underwriting Consultants'.<sup>9</sup> It worked out well," reports **Mike Benischeck**,

director of risk management for Pacific Tomato Growers Ltd. "They had a historical loss ratio of 30 to 32 percent annually for about 15 years." When they separated functions, losses once again spiraled, Benischeck reported.

Crosstraining can limit employee burnout and provide new motivation for employees who feel stymied in their career. It also strengthens an organization's operational team.

### **Cultivate a Culture that Values Expertise**

To prevent brain drain, an organization must provide an atmosphere that values aging workers and the knowledge they possess. Recognizing, but more importantly, *acknowledging* their overall contributions to the organization, not just the number of claims they close or the amount of new business they produce, may mean keeping employees just a few years longer. Small changes in any organization, as anyone who read the book *The Tipping Point* knows, can mean enormous changes overall.

Younger workers should be made aware of the demographic trends and what it means to their careers. Many younger workers are eager for career advancement. The demographics pointing to a sharp talent drop are in their favor if they prepare themselves, and organizations help them prepare, to take supervisory and management positions. Few younger workers recognize this trend. Organizations who speak frankly of these developments and what they mean to each person, not just the organization itself, will build loyalty and perhaps help to cultivate patience in generations that are used to quick answers and quick solutions.

### **Encourage Employees to Join Online Insurance Groups such as RiskList or PRIMA-Watch**

Insurance professionals are notoriously generous with their time and information when it comes to helping their counterparts, as any insurance industry

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employee who belongs to a professional organization knows. Insurance server lists have been online for many years with a faithful membership. List members will respond to just about any inquiry with an impressive depth and breadth of knowledge, with some humor thrown in as well.

## **Support Employee Membership in Professional Organizations such as Your Local Claims Association, Insurance Women, RIMS or CPCU Society**

“Support” means paying dues and supporting the absences necessary for employees to both attend conferences and to hold committee positions. This gives employees a strong network to turn to for information and support. There has been a mindset in the industry that allowing employees to network outside the company increases the employee’s flight risk. More enlightened managers realize that if employees feel valued for their expertise and encouraged in their professional development, they are generally more loyal to their employers.

## **Offer Incentives for Obtaining Professional Designations. Offer Greater Incentives for Attending Classes rather than Online Participation**

According to the CPCU Society, in 2006, 88 percent of CPCUs were age 40 or older. Taking a class from an experienced instructor with students from other companies and disciplines gives students a much broader experience. It also exposes them to others with whom they can network or seek advice. Designations are a clear indicator that employees see insurance not just as a job, but a career.

## **Avoid the Human Resources ‘Silo’**

An information silo is a pool of information that is not well integrated in an organization. Human resources departments often act as “silos,” gatekeepers in the hiring process, by determining which applicants get interviewed. Forming interdepartmental hiring panels, teams that develop job descriptions, review applications and give input on general

hiring and other personnel issues, such as employee retention, can greatly improve a company’s workforce.

## **Don’t Underestimate the Impact that Younger Generations and Their Different Work Standards Have on Older Workers**

There are four generations of workers in today’s increasingly diverse workforce. With Millennials, Gen Xers and Yers in the employment mix, many young people are either intimidated by older workers or downright contemptuous. Older workers, in turn, often cannot comprehend their younger peers’ thinking and may be intimidated by their ease with technology.

*Nowhere is brain drain felt more acutely, it appears, than in claims departments nationwide. According to Conning Research & Consulting, 70 percent of the nation’s adjusting staff is age 40 or older.*

Forming intergenerational teams can bring divergent employees together so that they can benefit from each others’ strengths, not just complain about their weaknesses. Utilizing younger workers who are good communicators and technologically proficient to train older workers in new technology can bridge two gaps — the generation gap and the technology gap. In turn, older workers can mentor younger employees and model appropriate and ethical behavior.

## **Consider the Total Cost of Jerks (TCJ) to the Organization**

Verbal abuse, intimidation and bullying are widespread in the American workforce.<sup>10</sup> But some companies are taking notice. There is a growing trend in companies to consider the TCJ impact on the workforce, including several organizations on Fortune’s “100 Best Places to Work.”

**Robert Sutton, Ph.D.**, professor of management science and engineering in the Stanford Engineering School, views “jerks” in a much more explicit light. Sutton authored *The No Asshole Rule*, a business bestseller that provides steps organizations can take to quantify the cost of jerks and eliminate them.

He lists the “dirty dozen,” the top 12 actions taken by those who use organizational power against those with less power. “It just takes a few to ruin the entire organization,” Sutton writes.<sup>11</sup>

Older workers may have seen it all, but they don’t always have the patience to put up with twits. That jerk in the cubicle next to a long-term employee may be the final nudge that pushes a valued older worker out the door. Most employees who have options like retirement tolerate jerks for just so long, and then they clean out their desk.

Eliminating toxic employees can improve more than the organization’s internal structure, because if an employee treats co-workers badly, how is he or she treating your customers?

## **Make the Most of the Existing Workforce**

Studies have found that up to 40 percent of the time spent handling a claim can be spent in administrative tasks that don’t impact the claim’s outcome significantly. It makes sense, then, to drive work down to its lowest possible level of the organization. Are adjusters still issuing checks, composing the same letters over and over, and answering calls that could be delegated? According to employment consultant **Peter Rousmaneire**, some corporations are outsourcing their claims-support systems. “[Outsourcing] offers the potential of injecting into the claims management process some very intelligent, well educated people who are very motivated to perform functions which, due to global information systems, they can do proficiently.”

### Don't Overlook Diversity

Many employees are overlooked in the promotional process because they are of different nationalities, ethnicities or gender than the dominant makeup of an organization. Whites follow a different career path than their non-White counterparts, according to **David A. Thomas**, author of an article on minority mentoring that appeared in the *Harvard Business Review*. Whites frequently get more attention from their managers and hence more opportunities.

Thomas's research showed that the one common attribute people of color who rose to the tops of their organizations had was mentorship, but mentorship that went beyond what he termed "instructional." They had mentors that provided a deeper relationship which increased their mentees' confidence and did not shy away from frank discussions about race.<sup>12</sup> If we fail in our organizations to see beyond employees' gender, skin color or religious beliefs, we may overlook our brightest talent.

### Address the Problems of Brain Drain Strategically

To date, there is a great deal of discussion on brain drain in the insurance industry, but little empirical evidence to use to determine which methods might avoid this loss. Many insurance executives are talking about the problem in conferences and trade journals, but what are insurance companies doing to address it?

To create organizational change, an organization must start with a vision. What are the problems we face and what are their consequences both short-term and long-term? Where will our workforce needs and realities stand in five years?

### Effective Organizational Change Begins with a Plan

Without a roadmap, even the savviest traveler occasionally gets lost. To address brain drain strategically, a company must develop a strong vision and a stronger plan. This plan can be implemented over time, but it must have clear goals and

time frames to avoid becoming mired down in processes.

From top management to line supervisors, there must be a shared sense of urgency to this problem, because any critical initiative can go astray due to the competition all organizations face in today's highly competitive global market. To solve the coming talent crunch, organizations must commit the resources to tackle this problem strategically, while there is still time. ■

## Endnotes

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