CPCU SOCIETY
INSURING YOUR SUCCESS

Underwriting Interest Group

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Underwriting Trends

Message from the Chair

by Nancy S. Cahill, CPCU, AU

Nancy S. Cahill, CPCU, AU, is manager–special projects, for Liberty Mutual Agency Markets Regional Companies Group in Keene, N.H., part of the Liberty Mutual Group. She also holds project manager oversight responsibilities for the Agency Compensation and Information Systems of Agency Markets. Her experience includes more than 30 years in personal and commercial lines underwriting, commercial lines product development, training and being an agent.

The 2010 CPCU Society Annual Meeting and Seminars took place in Orlando, Fla., Sept. 25–28, and the Underwriting Interest Group Committee kept extremely busy the entire time. The interest group was pleased to co-present "Lessons Learned from Recent Catastrophes — Have We Really Skinned the CAT?" with the Claims and Loss Control Interest Groups. In conjunction with the Claims and Risk Management Interest Groups, we also co-produced the seminar "Commercial Coverage Conundrums — An Interactive Case Study Approach" and experienced a standing-room-only crowd.

A group is working on preparing answers to the commercial coverage problems presented, and we are hoping to unveil some of those situations and resolution opinions to you in an upcoming newsletter. Since this seminar was so successful, we have asked the 2011 Annual Meeting Task Force to consider "Coverage Conundrums — Liability" as a seminar for the 2011 Annual Meeting and Seminars in Las Vegas. We will keep you posted.

A very successful highlight of the 2010 Annual Meeting and Seminars was the student program. Risk management and insurance students were invited to attend the Annual Meeting and Seminars as guests. They were able to network with industry professionals, attend seminars and gain an understanding of the value of obtaining their CPCU designation.

The Underwriting Interest Group hosted several students at our annual luncheon, where they each were recognized and presented with a special gift. The students' response to the entire experience was enthusiastic, and you will want to read their comments in the two articles on the program within this issue. The program will be continued for the 2011 Annual Meeting and Seminars in Las Vegas. Thank you to **Lamont D. Boyd, CPCU, AIM,** a member of the Underwriting Interest Group Committee, for his significant contributions to this endeavor.

There is an excellent article in this edition of the newsletter on construction defects. The author, **Calvin "Cal" E. Beyer,** vice president and head of manufacturing for Zurich North America's Customer Industry Segments (CIS), takes the reader through how construction defect concerns have expanded beyond the western states and the residential building sector. He discusses what constitutes a construction defect, its potential causes and how insurance may address these disputes. It is good reading, and we thank Cal for allowing us to reprint his article.

As mentioned in previous editions, the Underwriting Interest Group could use some additional assistance. Please consider joining the committee and working together with fellow industry professionals in a rewarding and fun experience. If you have any questions about volunteering to serve on the Underwriting Interest Group Committee, please contact me at nancy.cahill@libertymutual.com or (603) 358-4251. ■

What's in This Issue

Construction Defects — A Primer for CFMs

by Calvin "Cal" E. Beyer

Calvin "Cal" E. Beyer is vice president and the head of manufacturing for Zurich North America's Customer Industry Segments (CIS). In his current role, Beyer is the senior leader of the manufacturing segment and is responsible for the strategic development and profitable growth of this diverse industry group. He is responsible for expanding North America Commercial's customer insight and thought leadership in the manufacturing segment. Beyer is a published author and a frequent presenter at regional and national industry events on various risk management topics, including emergency preparedness, crisis management, reputation risk management and business continuity. He has been active in the Construction Financial Management Association (CFMA).

The Stakes Are High

The reputation of the construction industry has been tarnished by poor quality performance. Construction defects decrease the satisfaction of property owners and erode the confidence of the financiers, buyers and end users of construction projects.

Total construction costs are increased by lost productivity, and higher rework and insurance costs. Defective construction undermines the reputations of affected contractors and threatens their profitability.

Until recently, construction financial managers (CFMs) outside the homebuilding sector may not have heard of, or thought much about, construction defects. However, these defects are now an issue industrywide.

Likewise, while formerly concentrated in the western states, construction defects are now a national concern to all CFMs involved in either general contracting or the specialty trades within commercial building.

With a rise in reported construction defects, companies — now more than ever — need to improve quality during the construction life cycle. This article discusses the basics of construction defects, and presents the barriers to, and indicators of, quality construction — in addition to the risk management consequences of poor quality performance.

The Origins of Construction Defects

Construction defects occur at the intersection of construction operations, real estate transactions, contract law and business insurance. A construction defect is a component of construction that is not built according to plan, specification or in conformance to established construction codes and industry standards of care.

To be considered a construction defect in the eyes of the legal and judicial systems, physical damage to tangible property or bodily injury must result from the alleged defective construction.[1] Construction defects can also include the loss of use of the "impaired property" — property that is not physically damaged but is rendered unusable due to defective construction work.

Unfortunately, in our litigious judicial system, reality does not always match theory. Sometimes, "alleged" construction defects are pursued because attorneys think there's a good chance of winning a verdict or receiving a settlement. This can also happen when a group of people is "unified" for the purpose of class-action litigation, such as a homeowners association.

In the U.S., the general legal doctrine that governs the sale of property is *caveat emptor,* or "let the buyer beware." In order to receive legal protection, buyers have a general duty to inspect their prospective purchases before taking possession. The legal system recognizes the inherent limitations of such inspections, and therefore distinguishes between two types of defects: patent vs. latent.

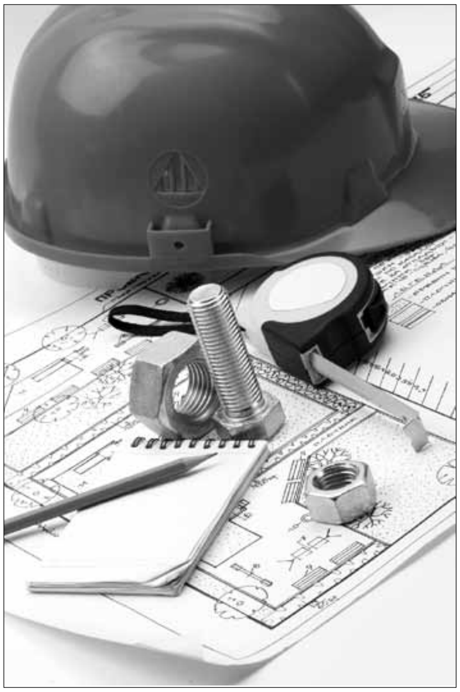
There is a fundamental and legal difference between patent defects found during the course of construction and latent defects that manifest later.

Patent defects are regarded as conditions that are clearly able to be observed or detected in a reasonably thorough inspection prior to the sale or transfer of the property from the seller to the buyer. In contrast, latent defects are faulty conditions in a property that could not have been discovered during a reasonably thorough inspection.

Types of Construction Defect

The types and causes of construction defects vary and are influenced by many factors, which are commonly categorized into the following eight types:

(1) Improper design.



(2) Poor workmanship that leads to poor finishing quality.

(3) Improper means or methods of installation or fastening.

(4) Improper materials.

(5) Defective material or poor material performance.

(6) Missing or inadequate protection from weather or environmental conditions.

(7) Water intrusion/infiltration and moisture.

(8) Soil subsidence or settlement.

These types of construction defects result from one or more common causal factors. Researchers at the University of Florida reviewed the common causes and types of building occupancies most often implicated in construction defects.

This study revealed that 45 percent of all construction defect claims occurred in multifamily housing.[2] (A large percentage of which presumably relates to condominiums, given the potential for class-action litigation by homeowners associations.)

Another major study found that "... 84 percent of claims are associated with moisture-related defects in building envelope systems (69 percent) and building mechanical systems (15 percent)."[3]

Causes of Construction Defects

The most common causes of construction defects are (1) the nature of the construction industry itself, and (2) climate, weather and environmental factors. Driven by both causes, let's look at scheduling pressures and sequencing issues, and review their potential negative impact on construction quality.

Scheduling Pressures

Contractors face increasing demands for shorter schedules and faster project completion. The potential adverse effects of these types of pressures include cost overruns and nonconformance to specifications, as well as other quality issues.

As these increased schedule pressures contribute to compromised quality performance, the number of construction defects increases. The rework necessary to rectify these quality issues also adversely impacts productivity — and jeopardizes the project's overall profitability as well as the profitability of all parties involved.

Sequencing Issues

A problem related to scheduling pressures is the improper sequencing of material delivery and/or subcontractor trades. Construction projects require precise coordination of various suppliers and subcontractors. Conditions are ripe for latent construction defects when weather-sensitive materials, such as drywall boards, are delivered to a jobsite before the building has been enclosed and is weather-tight.

For example, if a load of drywall is exposed to moisture from humidity, dew or rain, the likelihood of mildew or mold increases. Likewise, if the various subcontractor trades are not properly sequenced, additional punch list items or rework can result.

Exhibit 1 on page 4 summarizes quality management barriers and lists the factors that contribute to construction defects at the industry, company and project levels.

The Role of Insurance

Risk Financing

Insurance is a financial risk transfer method that may help resolve construction disputes or litigation involving alleged defective construction. Insurance pays on behalf of an individual or business when two conditions are met:

(1) It is proven that one party is liable for causing or contributing to the construction defect.

(2) It is determined that the party has a legal duty to correct or otherwise remedy the defective conditions.

Commercial General Liability Coverage

Specifically, CGL insurance is purchased to cover payments for bodily injury and property damage sustained by third parties arising out of business operations. These damage claims are known as third-party liability claims.[4]

Construction-related CGL property damage losses are further divided into losses that occur during two different timeframes: the course of construction and completed operations.

- **Course of Construction.** The course of construction involves construction operations from the inception of building activity until a certificate of occupancy (CO) is issued for the facility.

Continued on page 4

Construction Defects — A Primer for CFMs

Continued from page 3

Exhibit 1 — Barriers of Implementing Quality Management in the Construction Industry

Industry Factors	Company Factors	Project Factors
Traditional split between design, engineering and construction functions	Type of company: GC vs. Specialty Trade contractor	Multiple parties involved in construction (subcontractors, sub-tiers and suppliers)
No uniform definition for quality or quality management	Percentage of lump sum (hard bid) vs. negotiated work	Design factors, especially the building envelope
Increasing number of fast-track projects	Typical project delivery method used: Design/Bid/Build vs. Design/Build	Tight scheduling and sequencing of trades and tasks
Historically thin profit margins that shift priorities away from quality	Owner selection process and percentage of work for repeat owners	Jobsite geotechnical factors: water table, drainage and soil type
Conflicting definitions of what constitutes rework	Commitment to a zero defects and management accountability culture	No overall assigned responsibility for quality management at the project level
Long tail before latent construction defects manifest as completed operations claims	Historical performance with liability insurance, especially completed operations claims for latent construction defects	Third-party design review completed and course of construction conformance inspections scheduled
Contractual risk transfer of liability through indemnification and additional insured contract requirements	Insurance program structure deductible vs. guaranteed cost program limits purchased and premiums paid	Weather (especially wind-driven rain) and climate factors (including differential thermal vapor transfer due to temperature, humidity, air flow and ventilation)
Lack of uniform quality management metrics to establish performance baselines or benchmarks comparisons	Quality control and quality assurance staffing programs, policies, procedures and protocols	Lack of uniform methods to measure or monitor quality performance during the course of construction
Lack of systematic method for allocating uninsured indirect costs of poor quality	Failure to develop job costing method to capture and charge back indirect costs of poor quality	Indirect costs not captured and charged back to project in job costing

Exhibit 2 — Representative Examples of Leading Project Quality Indicators

Phase of Construction	Leading Indicators or Metrics
Pre-Construction	Number of third-party expert reviews on building envelope designs and materials
	Number of subcontractors with pre-approved quality programs
	Number of projects with site-specific quality plans
	Architect approval for changes to specified materials or design specifications
Course of Construction	Number of projects completed with zero punch list items open
	Percent of documented moisture evaluations of incoming materials
	Number of quality assurance inspections completed
	Percent of discovered defects corrected
	Percent of notifications on moisture, water intrusion, mold or other key events
Post-Construction	Percent of completed project files with documented inspections and corrections
	Percent of project turnover video training programs documented
	Number of signed and certified receipt of turnover documents by owners
	Scheduled follow-up inspection process with owners verifying no quality issues
	Number of maintenance callbacks during warranty period

- **Completed Operations.** The completed operations aspect of CGL coverage responds to allegations of construction defects. The completed operations component provides coverage from the time a CO is issued through coverage termination.

The increased severity and volatility of losses in construction insurance primarily stems from losses with a "long tail" — the length of insurance coverage extending beyond the term of the policy.

It's common for the coverage period to extend between 3–10 years (often to match the length of the statute of repose and/or statute of limitation). During the extended coverage period, latent conditions often manifest as insurance claims with associated monetary losses. In construction insurance, the long tail results from alleged and actual construction defects.

Completed Operations vs. Products-Related Coverage

While coverage for completed operations and products are included in the same limit of the policy, there is a distinction between the two types of coverage.

A general rule of thumb: Once a product is incorporated into real property, it loses its characteristic as a product and is considered a "completed operation." For example, a contractor who is also a supplier of ready-mix concrete has a "products liability" exposure until the time the concrete is incorporated into the building. At that point, it becomes a "completed operation," and is subject to all of the provisions of that coverage part — including the potential to respond to construction defect claims.

Statute of Repose vs. Statute of Limitation

Generally, companies involved in construction seek to purchase completed operations insurance to correspond with either the legal statute of repose or statute of limitation. Both the statutes of repose and limitation restrict the total time period contractors are subject to liability.

What's the difference? The statute of repose is a specific legal limitation or length of time *following the completion of the project* in order to provide the owner or occupants an opportunity to discover if defects or nonconformance to specifications need to be rectified by the contractor. The statute of limitation bars legal action after a specified length of time *following the discovery of a deficiency*.

These statutes are state-specific and are used to adjudicate alleged construction defect cases in state court systems. After the expiration of the statute of repose, buyers have no standing to bring legal suit against the property seller.

The statutes of repose range from a low of four years in Tennessee to a high of 15 years in Iowa.[5] The most common length of statutes of repose is either seven or 10 years. However, statutes of limitation are shorter for bringing suits once damage is discovered and usually range from 1–3 years.[6]

Subcontractors & Contractual Risk Transfer

Contracts govern how (1) expectations are communicated, (2) responsibilities are assigned and (3) risks are allocated to facilitate successful project execution.

Generally, subcontractors are expected to assume responsibility for the work they perform (both financially and legally). One of their legal responsibilities is to purchase insurance as a means to protect the owner and all other parties.

A gap between legal and financial risk transfer can occur if subcontractors are not able to obtain the required types of insurance coverage. This gap can also occur if the required policy limits cannot be obtained or if the coverage has exclusions for particular perils or exposures that are likely to occur during the course of construction.

Quality Management in the Construction Industry

When strictly adhered to, quality management systems instituted by contractors can minimize the need for rework on construction projects. As the amount of rework decreases, a contractor's performance increases in the areas of quality, productivity and profitability. Unfortunately, a universal or standard definition of "quality" does not exist within the industry. Instead, many competing definitions are used, including:

- Customer satisfaction.
- On-time completion.
- Project completed within budget.
- Zero punch list items at project turnover.
- Contract requirements met.
- Conformance to specifications.
- No rework required within warranty period.
- Continuous quality improvement.

Leading Indicators

In my article on "Risk Performance Metrics" (September/October 2007 issue of *CFMA BuildingProfits*), lagging indicators were defined as "passive metrics of prior results without consideration of the activities that influence the results." So, lagging indicators are retrospective and trigger reactive, tactical responses.

In contrast, leading indicators are metrics established to gauge the effect of activities designed to prevent or counter the metrics that are monitored by the lagging indicators. Accordingly, leading indicators are drivers of strategic and proactive activities consistent with continuous improvement.

Exhibit 2 on page 4 presents leading indicators for project quality management for the three distinct phases of construction: pre-construction, course of construction and post-construction.

Continued on page 6

Construction Defects — A Primer for CFMs

Continued from page 5

Exhibit 3 — Risk Management Consequences of Poor Quality Performance

Consequence	Primary Risk	Secondary Risk
Decreased productivity due to required rework	Operational	Financial
Diminished profit margin (or loss) on project	Financial	Reputation
Delayed turnover of completed projects	Operational	Reputation
Loss of key clients due to dissatisfaction	Reputation	Financial
Possible liquidated damages from delayed completion	Financial	Legal
Higher deductibles, increased premiums and/or lower limits for liability insurance	Insurance	Financial
Increased legal costs to defend against alleged construction defect claims	Financial	Insurance/Legal
Damaged partnerships between GCs and subcontractors	Reputation	Operational
Fewer opportunities to bid or negotiate for future work due to damaged reputation	Financial	Reputation
Type and size of projects limited for future work due to lowered surety bond credit line	Financial	Reputation
Surety bond default and company survival threatened due to decreased corporate profitability	Financial	Reputation

The ability to deliver a quality project safely provides a significant competitive advantage among contractors. The integration of safety with quality management enables projects to be built within budget and schedule constraints.

Safety performance is improved through the quality management discipline of "continuous improvement" that increases communication and feedback among workers and supervisors. Similarly, projects with reduced safety incidents experience improved quality, schedule and cost performance.[7]

As a risk management professional, I've seen proactive construction companies take various actions to minimize the adverse effects of quality issues. These actions are divided into the following stages or phases:

- Awareness.
- Prevention.
- Detection and measurement.
- Mitigation.
- Documentation for defense.

The 5Ps & 5Rs

Similar to the 6P model as described in my article on "Return to Work: The Foundation for Successful Workforce Development" in the September/October 2008 issue of *CFMA BuildingProfits*, the 5P and 5R models are offered to help increase awareness of construction defect prevention and response. (See Exhibit 4 on page 7.)

The 5Ps are proactive steps focused on quality control and assurance that help prevent construction defects: Program, Policies, Procedures, Protocols and Practices.

The 5Rs are reactive steps taken in response to potential or suspected occurrences of defective construction: Report; Response/Investigate; Root Cause Analysis; Remediate, Repair or other Recourse; and Recordkeeping.

For construction companies, there are potential consequences of not implementing effective quality management systems. One adverse consequence is unintended and undesirable exposure to risk.

As shown in Exhibit 3 (above), poor quality performance impacts a company's reputation and has financial, operational, insurance and legal consequences.

Conclusion

The effects of construction defects are far-reaching and deep. The reputation of the construction industry and the profitability

Exhibit 4 — Strategic Processes for Construction Defect Prevention

- Vision and culture for zero defects, zero punch lists and/or zero rework.
- Quality management organizational structure and staffing.
- Owner selection practices and risk-adjusted process for project approval.
- Prevention measures throughout the construction life cycle.
- Subcontractor prequalification and oversight process.
- Insurance and contractual risk transfer review.
- Conformance verification vs. nonconformance detection during course of construction.
- Project closeout and owner education processes.
- Warranty period and maintenance callback processes.
- Response and mitigation of known or suspected problems.
- Claim coordination and documentation for defense.
- Measurement and continuous process improvement.
- Management accountability systems that include quality measurement in personnel performance evaluations and decisions about bonuses.
- Quality awareness education and staff training.

of individual contractors are adversely affected by construction defects.

But, the adoption of quality management systems can positively influence the industry's reputation and contractors' bottom lines.

Moreover, those companies that elect to implement quality management systems are more likely to gain a competitive advantage in the form of improved productivity and reduced rework leading to higher profitability.

Upfront coordination and rigorous pre-project planning can reduce schedule dynamics that disrupt the entire system of a construction project. Successful project management entails quality, risk and safety management among owners, designers, engineers, contractors, subcontractors and suppliers.

Ultimately, with respect to construction defects, prevention is a better strategy than mitigation, and mitigation is a better strategy than litigation. ■

Endnotes

(1) Wielinski, Patrick J. *Insurance for Defective Construction.* 2nd Edition, 2005. International Risk Management Institute Inc. (IRMI). Dallas, Texas.

(2) Grosskopf, K.R. and Lucas, D.E. "Identifying the Causes of Moisture-Related Defect Litigation in U.S. Building Construction." www.rics.org/NR/rdonlyres/81485882-20E6-4408-A4D061FC8D 6C1D3A/0/ Grosskopf.pdf

(3) Grosskopf, K.R., Oppenheim, P. and Brennan, T. "Preventing Defect Claims in Hot, Humid Climates." *ASHRAE Journal.* July 2008, 40–52. www.ashae.org/docLib/20080630_ASHRAEDAJ08Jul0420080630.pdf

(4) For more information on CGL, see Wm. Cary Wright's article, "The Anatomy of a CGL Policy," in *CFMA BuildingProfits.*

(5) "Statute of Repose Limitations for Construction Projects." American Insurance Association Inc. Jan. 7, 2007.

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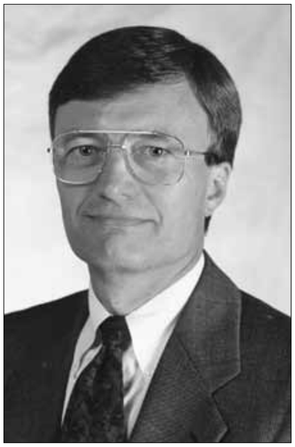
(7) Chang, A.S., & Leu, S.S. "Data Mining Model for Identifying Project Profitability Variables." *International Journal of Project Management.* April 2006, Volume 24, Issue 3, 199–206.

CPCU Society Student Program — 'A Great Success'!

by Lamont D. Boyd, CPCU, AIM



Lamont D. Boyd, CPCU, AIM, director, insurance scoring solutions, with Fair Isaac Corporation (FICO), is responsible for client and partnership opportunities that make use of FICO's credit-based insurance scoring and property risk scoring products and services. Working with more than 300 insurance clients throughout the U.S. and Canada and speaking regularly to industry and consumer groups, Boyd is recognized as one of the industry's leading experts in predictive scoring technology. Previously, he served 19 years in underwriting and sales management with a major property-casualty insurer.

Editor's note: This article originally appeared in the CPCU Society's October 2010 Personal Lines Interest Group newsletter.

Given the number of comments we received during and following the 2010 CPCU Society Annual Meeting and Seminars, it's clear the CPCU Society 2010 Student Program was a "great success"! Such a success, in fact, that the Student Program will continue — and with the projected number of students joining us for the 2011 Annual Meeting and Seminars in Las Vegas significantly higher.

Here follows four very good examples of how the Student Program was received:

Douglas J. Holtz, CPCU, CIC, CSP, CRM, 2010–2011 CPCU Society immediate past president and chairman, offered the following observations and expressed his appreciation to all who contributed in making this program successful:

> "I was so impressed with the caliber of the students who joined us at the Annual Meeting in Orlando. They are a very bright and dedicated group of students who have gained tremendous insight into our business, the CPCU Society and all this wonderful industry has to offer. I'm thrilled with the response we received from the students, the chapters who financially assisted them with their travel expenses and our Board of Directors who supported their registration fees."

Warren L. Farrar, CPCU, CLU, ChFC, 2010–2011 CPCU Society president and chairman, shared his thoughts also:

> "To me, these young people represent our future. I met and had discussions with many of the students in Orlando, and was amazed by their enthusiasm and genuine interest in careers in insurance. They all had great things to say about the Student Program and especially appreciated having mentors with whom they could connect for guidance and counsel."

Veronica Fouad, St. John's University, echoed the sentiments of her fellow students:

> "I want to thank you for providing me with the opportunity to attend the CPCU Society Annual Meeting and Seminars. I had a wonderful time, and I have truly realized the importance of obtaining my CPCU designation. I would have to say that after this experience, I am a lot more serious about obtaining my CPCU in a very timely fashion. I met several great industry professionals, and I am inspired by the values they represent. I am also appreciative and fascinated by the support that this industry provides to its students. Please send my thanks to all of those CPCU chapters and sponsors who helped fund students at this Annual Meeting."

Jonathan Howard, University of North Carolina–Charlotte, shared these kind thoughts:

> "Thank you for taking the time to help us young emerging professionals in the insurance and risk management industries. I greatly appreciate your leadership in providing this wonderful opportunity to me and other students to attend this wonderful CPCU Society Annual Meeting and Seminars in Orlando. Thank you for coordinating all the efforts between mentors and students, roommates, committees, resource funding, hotel reservations for students and so much more. I believe that this was a great personal success as well a success in recruiting bright young talent from universities across the country."

You may be aware that we also developed a very unique "student-focused" seminar — "A Look into the Future" — for the Orlando Annual Meeting, one that highlighted the property-casualty insurance industry's need for the "best and brightest" now and in the future. This seminar was specifically designed to help risk management and insurance students, as well as new designees, understand more fully the variety of paths available to them in the property-casualty insurance industry.

The seminar not only provided the unique perspective of students working toward risk management and insurance careers, but also provided attendees with a clear understanding of the value of the CPCU designation in helping them on their chosen path.

As seminar presenters, 2010 Student Program Committee Leader **Stacey Hinterlong,** Illinois State University, and **Ryan Rolfs,** Florida State University, offered their suggestions for pursuing a successful career in the insurance industry — and shared their own student and industry internship experiences.

Lynn M. Davenport, CPCU, AIC, AIM, with State Farm, and **Dave Newell,** with the Florida Association of Independent Agents (FAIA), offered excellent examples of successful industry representatives and highlighted industry and educational opportunities that can be pursued.

Our hope is that all students, new designees and industry veterans walked away from this seminar with great ideas and a clear understanding of what is needed to grow our industry through the development of talented individuals.

The CPCU Society is uniquely positioned, in large part due to the direction and support provided by CPCU chapter and interest group leaders, to offer a bridge between those who are seeking a rewarding future in the industry and those who are seeking people to contribute to a successful future.

A final note: Many thanks to all who contributed in so many ways to the success of our 2010 CPCU Society Student Program. Since another "great success" is fully expected for 2011, please don't hesitate to contact me by e-mail at lamontboyd@fico.com with any thoughts you may have, or assistance you're willing to offer, to help us attract bright, young minds to the insurance industry through the CPCU Society. ■

Twenty-five (25) students from some of the nation's leading universities and colleges joined us in Orlando, networking with industry leaders from a wide variety of CPCU Society chapters and interest groups. We took the opportunity to photograph some of the students during the CPCU Society's Diversity Reception.

Front row, from left, Donita Stevens, Temple University; Danielle Bastian, Olivet College; Samantha Reed, University of North Texas; Cassandra Wilcox, University of North Texas

Middle row, from left, Stacey Hinterlong, Illinois State University (Student Program Committee Leader); Carlie Peniston, St. John's University; Veronica Fouad, St. John's University; Brenae Robinson, Florida State University; Miranda Fouad, Rutgers University; Kelsie Griffin, Illinois State University.

Back row, from left, Douglas J. Holtz, CPCU, CIC, CSP, CRM, 2010–2011 CPCU Society immediate past president and chairman; Daniel Bean, Georgia State University; Michael Lungo, Florida State University; Josh Spencer, Ball State University; Ryan Rolfs, Florida State University; Casey Koontz, Illinois State University; Seve South, Ball State University; Luigi Biele, Rutgers University; Lamont D. Boyd, CPCU, AIM, the Society's Student Program director.

Participating students missing from photo: David Adams, New Mexico State University; Peter Curnin, Appalachian State University; Jonathan Howard, University of North Carolina-Charlotte; Hio Lam (Yoyo) Lao, University of Illinois; Nathan Mitzner, Southern Methodist University; Kanwar Singh, Virginia Commonwealth University; Stephen Walton, New Mexico State University; and Christopher Wexler, Appalachian State University.

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

by Hio Lam "Yoyo" Lao

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

Editor's note: This article originally appeared in the CPCU Society's January 2011 Personal Lines Interest Group newsletter.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) Be true to yourself.

(2) Set goals and then determine the pathway.

(3) Believe in yourself.

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

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

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

I was the only student at the dinner, and the speaker, **Gregory G. Deimling, CPCU, ARM, AMIM,** talked about the importance of building and maintaining relationships in the insurance industry's future. Even though I didn't have time to work on my school paper, the fourth day of my conference I learned different philosophies of success. I am so lucky to learn these philosophies from everyone I met at the conference.

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

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

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