

# Interview

*James L. Britt, CPCU, is president of the Chartered Property Casualty Underwriters Society. He is also a managing director at Marsh USA Inc. in Charlotte, North Carolina, and an instructor for the CPCU Society Center for Leadership. Britt is a contributing member of the CPCU-Loman Education Foundation and the author of the new book, Building Leaders: One on One.*



***Underwriting involves both numbers—quantitative variables—as well as sound judgment. How does the work required for the CPCU designation provide preparation for this aspect of risk?***

Some courses in the CPCU program focus on the financial metrics used in the underwriting business. Even if you're an underwriter like I was earlier in my career—I didn't study finance in any depth in school—you get a sound foundation for understanding the financial metrics of the industry.

You appreciate what the actuaries are doing, and what the micro environment looks like. You can work with fairly detailed actuarial studies and forecasts. And you recognize that the pricing levels that are developed are based on sound quantitative analysis.

It's a quantitative game, in the end. You start out with the law

of large numbers and then you move on from there. We feel that the CPCU credentials ensure an excellent foundation in all of the areas involved in underwriting... as well as the other disciplines.

***Has underwriting changed much in the last 10 to 15 years?***

In the industry in general, there's a lot more modeling, and not just in the area of catastrophe coverage. There are new models for both industry segments and various lines of business. I sense that this is an emerging technique.

But it's being enhanced significantly with some really nice quantitative stuff.

In our day-to-day work as retail brokers, we do loss forecasting. However, we rely on actuarial studies for more definitive funding projections. And whenever we're submitting a major casualty risk, we look at the long-term payout metrics of claims.

Informal loss forecasting, client-specific actuarial studies, and industry segment modeling can all work together for risk advisors to estimate and negotiate appropriate funding and premium pricing for clients.

For example, the vice president of finance might say, "I'm glad we're self-funded. We manage our own money, and we have control of our claims within the reserve portfolio. But I need to know, on a 3- to 5- to 7-year basis, what I'm going to need to fund for projected claim costs." We have consulting actuaries who can guide us through that analysis. That's a big part of a major funding analysis.

In medical professional liability coverage, for major providers with big caseloads—a hospital system or large physician practice, for example—this kind of analysis is a significant element in the risk planning process. The CFO needs to know what his self-funded cost of risk will be, including what kind of credit line he might need to employ.

***In that sort of situation, what extra value does a credentialed underwriter bring to the job?***

The professionals who hold a CPCU designation actually represent a cross-section of the industry. You'll see a significant number of claims adjusters and consultants, attorneys, insurance and risk consultants, and risk managers who have embraced the CPCU. Just about every Property and Casualty discipline is represented.

So we need to ask, how does credentialing make each of these professionals more effective in the insurance relationship—for the insured, the underwriter, and

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the agent-broker who's putting the parties together?

In fact, CPCU provides the absolutely best foundation for utilizing the principles of risk and insurance in the property/casualty industry. The depth of knowledge and skills implicit in the credentialing process is essential to perform at the highest levels in the industry.

### *Where did the idea of a chartered underwriter originate?*

There are several designations that emerged from the Wharton School of Business at the University of Pennsylvania. The American Institute for CPCU car-

ries the academic role forward for the designation. It's now located in suburban Philadelphia, but it retains the context of a higher-education institution. The CPCU exams have been validated by higher-education professionals as upper-level undergraduate, and lower-level graduate, programs.

The CPCU Society is the professional association embracing the continuing education and fellowship opportunities for CPCUs. It embraces a shared vision with the AICPU.

The CPCU program has a lot of texture. It's a foundational issue. It embraces learning foundational principles and theory as opposed to mere skills. To me,

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they need to go hand in hand. Skills are better applied by professionals who have the proper foundation.

### *Is underwriting in MPL specialized in important ways—or is it the same basic procedure?*

I think of two things in MPL that stand out for me. First, it involves a relatively long tail, with large claims. Skillful financial planning, often with alternative risk transfer and funding, is essential to managing in this environment. Second, most of the policyholders have a medical specialty, and there is a certain degree of confidence they have in their training and ability to perform. It can be difficult to get them focused on the fact that, despite their best efforts, there may be a case meriting aggressive settlement. That's the reality of life.

The other side of this is that the underwriter, today, has to look at the emergence of patient safety and relations efforts. Clinical risk controls are so important on the front end. If you're talking about the law of large numbers, think about a hospital system that has, say, 10,000 incidents a year, and maybe only 50 of those actually reach the level of a litigated claim. If you can get those 10,000 incidents down to 5,000, say, over a three-year period, by deploying solid internal initiatives on incident control and effective patient communications on the front end, then the rate of incidents that give rise to a claim should go down accordingly.

You can't just look at the management of loss dollars and limits of liability. You have to look at the risk control side, too.

***Upon entering the office of the CEO of the American Institute for CPCU and the Insurance Institute of America (Norm Baglini), James Britt noticed a series of desk caddies. These were the same as a set that he had earned earlier, as an apprentice and journeyman field representative with the Aetna. He wondered: "How could I be in the private office of such an esteemed industry leader and be seeing the award trappings of such a relatively insignificant position?"***

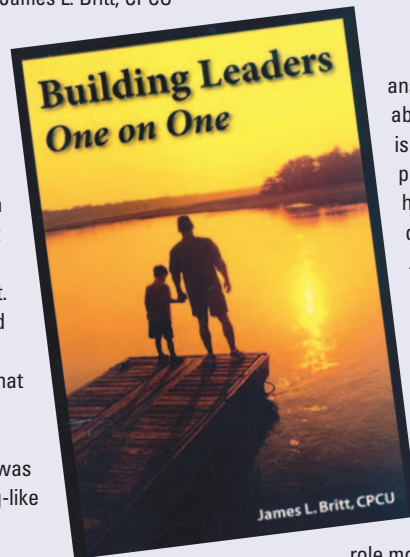
From....*Building Leaders: One on One*, by James L. Britt, CPCU

### **"The Heritage Desk"**

Now, you must be thinking: What's all this nonsense about a few knick knacks on a desk? I'll tell you. In our early days, these awards were badges of honor. We were told that the Aetna Plan Survey was an important process (and it was—both in production and in instruction!) so the awards were also important. No! Not the "toy" itself, but the work and the reward it represented.

....[M]y image of Norm soared at that moment. I had yet not met him. As my snaking column of fellow new directors moved further along their trail, my mind was jumping around with all sorts of lightning-like thoughts:

- Why did I discard my awards?
- Why does Norm still have his?
- Why does a leader like Norm still value the awards?
- Why would they be displayed in such a magnificent setting?
- Why did his doctorate and CPCU diplomas not overshadow these?



I believe the answer to the questions about Norm's situation is simple and direct: He placed a great value on his heritage, the value of learning his trade. As he rose to industry prominence and took the helm of its most prestigious academic body, he chose to keep symbols of his heritage visible. I was deeply touched by this action of a classic role model.

From that point forward, I decided to keep the special symbols of my heritage—heritage from various seasons in my career.

*Building Leaders: One on One*, by James L. Britt, CPCU. Malvern, Pennsylvania: CPCU Society, 2007. Reprinted by permission of the publisher.

Typically, the people involved in that have a high degree of appreciation for the clinical space, even though they may not have practiced there.

### *What are your goals for your tenure in your position?*

We're in the home stretch of my administration, and I can tell you that we've been focusing on a strong finish.

First, we always want to provide high value to our members, in two ways. Since CPCUs are a relatively small percentage of the professional force in the industry, we want to continue to make the CPCU the most highly recognizable designation in the industry—to bring value to the members. We want them to say, "You've done something extra."

The other major thing we want to do is provide outstanding continuing education programs, both technical and leadership.

### *What's been most important to you, personally?*

I had two special projects this year. I wanted to touch the higher education space where risk and insurance courses were taught and a major was provided. There are about 45 to 50 colleges in the U.S., primarily large universities, that have this kind of program. In most cases, it is a major within a college of business. Temple and Illinois State, as examples, are two of the leaders in this space.

About 80% of those schools have chapters for the majors in a professional fraternity, Gamma Iota Sigma. I scheduled seven lectures at seven different schools, and I delivered a keynote presentation at the Gamma president's kickoff at the begin-


ning of the academic year.

When I look at the CPCU Society, from the 1940s when it was founded, one of its core tenets has been to provide services to the colleges and universities that teach insurance. So I wanted to go back and touch that, and offer a little higher profile.

The second thing I've done, motivated by a book by the 2004-2005 president, was to write a book myself. I wanted to record my reflections, as a baby boomer looking back at the building blocks of leadership that were provided to me by many wonderful people. I wanted to challenge emerging leaders, depending on where they were in their careers, to be a receiver of those gifts, those building blocks, if they were young, and to be prepared to be a giver of building blocks as they matured. I gave them examples of situations they might be looking for, from my own life experiences.

I shared stories about people like Hayes Kreuger, my first swim coach in Newington, Connecticut, several of my masters at Deerfield Academy, and professors at University of North Carolina. And then there were the inspiring individuals who came across my path at Aetna and Johnson & Higgins, Marsh, and the CPCU Society.

To challenge readers, I've included some probing questions at the end of each chapter.

Leaders with significant experiences should be ready to give back some of the building blocks of leadership. I've used my book as a compendium to assist me in my sharing responsibility. 

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