

Message from the Chair

by David M. Hall, CPCU, ALCM



David M. Hall, CPCU, ALCM, currently serves as the section manager for Innovation and Small Business Solutions for the Central Zone of State Farm. He has worked in commercial lines his entire career at State Farm, passing through Pennsylvania, Indiana, Louisiana and now Oklahoma offices. Hall frequently speaks around the country on small business continuity planning. He also shares his expertise in volunteer roles with numerous professional and community organizations, including the Institute for Business and Home Safety, Tulsa Partners (as board vice president) and the Disaster Resistant Business Council (as chair) in Tulsa.

I am honored to have assumed the chair of the Loss Control Interest Group (IG) from **Jill D. McCook, CPCU, AIS**. Jill did a great job and continues to contribute and provide leadership to our team. We're excited about what's going on within our interest group community.

In the past year — thanks to Jill's guidance — our interest group achieved gold recognition in the Circle of Excellence program; established our site on LinkedIn, which now has more than 100 followers; and offered educational programs on business continuity planning, bedbugs and catastrophe claims.

If you haven't visited our site on LinkedIn yet, please take some time in the near future to stop by. It's a great

place to reconnect with colleagues, contact your interest group leadership or discuss current events. Just click the LinkedIn icon on the Loss Control IG website to join.

We've got a PCI newsfeed that runs through our site daily, and everyone's welcome to contribute or discuss issues that catch your eye. If you're not a member, join now; and if you know a CPCU or someone working toward their designation who is interested in joining the group, let us know.

Thanks again for this opportunity. ■

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Charles H. Morgan, CPCU, J.D., CSP, CLU, ARM, CPP

A Most Unforgettable Character

by Nina Nobile, MA, CSP, HEM, HAZWOPER, and Julie L Sealey, CPCU, CSP, ARM, ALCM, CHSP



Nina Nobile, MA, CSP, HEM, HAZWOPER, is with Zurich Services Corporation in Princeton, N.J. She has more than 25 years' experience in risk engineering, including more than 15 years working directly with health care and social services customer groups. She and Charlie Morgan worked together over the years and remained professional associates and friends for nearly two decades.



Julie L. Sealey, CPCU, CSP, ARM, ALCM, CHSP, is home office loss control manager with Crum & Forster. She worked as an industrial organic flavor and fragrance chemist before joining the insurance industry. For more than 25 years, Sealey has held various insurance loss control and safety consulting positions in the Pennsylvania and New Jersey areas. She serves on the CPCU Society Loss Control Interest Group Committee.

Our friend Charlie has died. It is like he was just yanked away. It's hard to believe that we won't see his smiling face or hear his wry, warm laugh anymore. His absence leaves a big hole in the hearts of so many, including his compatriots from the New Jersey metropolitan environmental health and safety (EHS) community. His untimely death, the result of complications following a winter-related slip-and-fall injury, leaves those who knew him distraught and devastated.

A Tribute from the American Society of Safety Engineers (ASSE)

The metropolitan EHS world was shocked by the series of events that resulted in the passing of one of our beloved colleagues, **Charles H. Morgan**, on Wednesday, Feb. 9, 2011.

Charlie was a dedicated EHS professional. Not only did he work in the field of environmental health and safety for his entire adult working life, he devoted much of his free time to volunteer activities associated with the EHS field. These activities included years of editing the CPCU Society Loss Control Interest Group newsletter, overseeing the Insurance and Risk Management Section of the annual NJASSE Professional Development Conference and keeping track of regulatory updates of the same. Additionally, he worked as an adjunct professor at the College of Insurance and coauthored several risk management and safety books.

Charlie was born and raised in Wyomissing, Pa. He graduated from Lehigh University with a bachelor's degree and Penn State University Dickinson School of Law with his J.D. shortly thereafter. Before moving to Mountainside, N.J., about five years ago, Charlie and his family lived in Summit, N.J. for 17 years.

Charlie was more than a dedicated safety professional, though. He had a work ethic that did not allow him to compromise his beliefs even when it cost him professional comfort and security. He was a true friend to his colleagues who knew him well and would go above and beyond the call of duty to help them if they fell on hard times. He never let a friend down, and that is a rare characteristic in today's world of the "me first" work ethic that has brought our economy to its knees.

More than one colleague has expressed gratitude to Charlie for never turning his back on them when they were out of work. He would always provide job leads to them via phone, email or in person. One colleague said, "This was something I will never forget about him. So many people whom I considered friends turned a blind eye when I was out of work. But not Charlie. You really find out who your friends are at times like that."

Remembrances from Family and Friends

Everyone at the memorial service, the New Jersey State Safety Council (NJSSC) meeting and the CPCU Society Loss Control Interest Group conference call was shocked by the sudden loss of our colleague and friend, Charlie Morgan.

Scott Morgan, his younger brother, mentioned that when as a youth in Cape Cod, Charlie went through a lot of au pairs in a row. He had a dry sense of humor, but to hang with Charlie is serious. He loved his little girls and was always holding or playing with them. He was a real person who said what he thought.

Bill Margaretta, president of the NJSSC, noted that Charlie was generous with his time and knowledge. He was a great guy — open and willing to help out. "It does no good to be a safety expert unless you are a safety advocate, and Charlie was a safety advocate."



Charles H. Morgan, CPCU, J.D., CSP, CLU, ARM, CPP

Rich Berthelsen, CPCU, J.D., ARM,

The Institutes' liaison to the Loss Control Interest Group (IG), shared: "Charlie and I spoke over the phone and in person several times. We worked on several risk management chapters together, and I was looking forward to working with him on this committee. The last time I saw Charlie we were with our wives. I recall being impressed with how devoted he and his wife behaved towards each other. He will be missed."

It was noted from those attending the memorial service that he was most intuitive and the brightest; all relied on his guidance and advice. He had a business sense and could explain just about anything. Charlie was the "Answer Man." He never compromised himself. He was a great guy who helped out when someone needed a job and stayed in touch. Charlie was smart, and he debated — like a lawyer. He got in hot water often, as he was outspoken. But he spoke the truth.

Charlie had more than 35 years of insurance industry experience in areas including risk management, product liability and loss control. He worked for several large corporations, including CIGNA, AIG, Zurich, Reliance and Bank of America. His professional designations included CPCU, CSP, CLU, ARM and CPP. He earned a law degree.

Charlie is survived by his wife of 27 years, Robyn; his daughter Tory and husband Chris Tolles of Belmont, Mass., his daughter Hayley and husband Ben McMichael of Memphis, Tenn.; his brothers John and Scott of Pennsylvania and Tom of California. He is also survived by his stepmother, Doreen, and her son Michael.

A private memorial service was held for Charlie on Saturday, Feb 19. There were people there from all walks of life and from places he'd worked along the way. People who hadn't seen each other in as many as 30 years reunited at this service to honor their friend and colleague. Charlie kept up with his friendships forever.

Scott Morgan said it best: "Charlie was everyone's most memorable character." That says it all, as there will never be another like him. What he knew about being human one cannot learn in school, although as we read earlier, he was no slouch in school.

He will be greatly missed by everyone. ■

Cargo Theft Prevention and Recovery

by David Shillingford, Maurizio Scrofani and Salvatore Marino

David Shillingford is president of ISO Crime Analytics, a division of ISO that helps insurers and policyholders predict, plan for and respond to property crime. ISO Crime Analytics focuses on mobile equipment theft, cargo theft and retail loss through the National Equipment Register (NER), CargoNet and Enabl-u.

Maurizio Scrofani is president of CargoNet, responsible for the strategic and operational leadership of the CargoNet unit.

Salvatore Marino is vice president of business development and logistics services for CargoNet. In this role, he fosters and manages strategic relationships with a focus in the supply chain arena.

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The transportation industry handles billions of dollars in freight every year, and goods in transit are an attractive and easy target for thieves. That's why cargo theft is among the largest categories of property theft in the United States, although exact numbers are elusive. Cargo theft also creates potential threats to public health and safety.

In this ISO Review roundtable, experts from ISO Crime Analytics share their views on why insurers and their policyholders are paying hundreds of millions of dollars in cargo theft claims each year and what efforts are under way to combat the problem.

Please explain why there is a lack of cargo theft statistics.

Maurizio Scrofani: The main problem is that most police systems and procedures are designed to record details of a stolen vehicle but not the cargo. More often than not, the thief empties and abandons the trailer. When the vehicle is recovered, the case is closed if the contents were not also reported as stolen.

Salvatore Marino: The other area of financial loss from cargo theft is business-interruption losses, such as the need to replace and reship stolen merchandise. Also, costs related to the liability of damaged or harmful goods reintroduced to the supply chain are much harder to determine but should also be factored in. However, any such costs are hard to quantify, particularly in the aggregate.

How do cargo thefts most commonly occur?

Marino: Cargo is most frequently stolen from warehouses or through theft of a loaded vehicle. This type of theft occurs quickly. And knowing that theft-reporting processes are inefficient and inconsistent gives the thief time to cross-load the cargo into a warehouse or trailer not linked to the theft.

A warehouse theft is a more complex operation, but a thief can take advantage of larger amounts of merchandise to steal and more time before the theft is discovered.

Scrofani: Because so few recoveries are made, little is known about the markets through which stolen goods are sold. Some case studies indicate the merchandise is sold back to the wholesale market or online and at flea markets. Stolen goods, if durable, may also be exported.

What are the industry's recent efforts to combat cargo theft?

David Shillingford: A great deal of money is invested in cargo security measures such as guards, alarms, cameras, locks and seals, and GPS systems. Many argue that even more should be spent. Significant improvements could also be made by deploying security assets to the locations and vehicles that need them most, but determining where the need is greatest is difficult without better information sharing and analysis.

Although limited to a certain region or industry, a handful of initiatives have demonstrated that better data sharing between the industry and law enforcement can have dramatic effects.

Marino: The role of a driver in the prevention of, or participation in, a theft is the subject of much debate. There is little doubt that professional drivers following well-conceived procedures are the front line against theft. Improved driver screening and simple online learning tools are needed to ensure awareness and training.

How is ISO helping to improve cargo theft reporting?

Scrofani: This year, the insurance industry is leading a cross-industry initiative to improve significantly the way cargo theft data is reported, recorded and shared with law enforcement. The initiative is called CargoNet®, and it is

being developed by ISO and the National Insurance Crime Bureau. The CargoNet system includes integrated databases, a theft alert system, law enforcement task force investigative support, a tractor/trailer theft deterrence program, a truck-stop neighborhood watch program, driver education and incentives, secondary-market monitoring and interdiction, crime trend analysis, and a training and education program.

Are cargo thefts increasing? If so, what can insurers do to help combat the increase?

Shillingford: Trends show an increase in overall thefts (or dollar amount of thefts and loss per incident) year after year. Industries are realizing that sharing information and ideas is critical to combat the problem. Electronics, pharmaceuticals and perishables are the top commodities at risk in the marketplace. The pharmaceutical sector heads the list in terms of the average dollar value of thefts.

What new technologies can shippers use to improve risk mitigation?

Scrofani: Shippers have employed radio frequency identification, GPS, security seals, locks and better information sharing to mitigate risk and stay ahead of the competition. CargoNet allows shippers to look at different times to move freight, helps them evaluate truck stops and provides alternative methods of managing routes.

What does the future hold for cargo theft prevention and recovery?

Shillingford: For many years, cargo thieves have had the upper hand. The situation seemed to get worse as joblessness increased and public safety resources shrank. However, as the economy improves, online training becomes more widespread, electronic tracking is used more frequently, government support grows through initiatives in pharmaceutical and food supply chains, and the industry starts to aggregate and share theft data more effectively with law enforcement. ■



Brain Drain

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

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



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Executive Summary

Is 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."¹ 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.²

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

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,”⁴ 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,⁵ 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.”⁶

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,”⁷ 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](#), and [www.writer.zoho.com](#). Visit [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) 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,”⁸ 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’.⁹ It worked out well,” reports **Mike Benishek**,

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, Benishek 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.¹⁰ 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.¹¹

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.¹² 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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People to People Ambassadors — Insurance Professionals Delegation to China

by Eric W. McIntyre, CPCU, AINS, AIT



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Editor's note: This article was originally published in the April 2011 issue of the CPCU Society Personal Lines Interest Group newsletter.

Twenty delegates and six guests, including my wife, flew 13 hours from San Francisco, Calif., to Beijing, People's Republic of China, in November 2010 to begin a nine-day journey of professional and personal discovery. Despite the 11-hour time difference, jet lag didn't become an issue until our return to the U.S., probably because we were too busy to feel it. I had done some reading on Chinese culture and etiquette, learned a little (very little) Mandarin, and was excited about our first trip outside the Western Hemisphere.

The trip was organized by People to People International (PTPI), and the delegation was led by CPCU Society 2008–2009 President and Chairman **Marvin Kelly, CPCU, MBA**, and included The Institutes' President and CEO **Peter L. Miller, CPCU**. Nearly all the delegates (primarily consultants, agency executives, and insurance company management and specialists) possess the CPCU designation and represent a variety of insurance areas, including property-casualty underwriting, property-casualty claims, workers compensation and supplemental markets.

The goals of the trip were to meet and exchange information and ideas with other insurance professionals, educators and government officials; work to establish lasting relationships and goodwill; and network and foster new friendships within the delegation. The itinerary changed somewhat at the last minute (no meeting with government officials), but the trip was no less special — and frankly, astonishingly productive. On our first full day in Beijing, we spent a half-day learning some history and geography of China from our national guide, and the history and current state of the Chinese insurance market from a law professor at Beijing's University of International Business and Economics.

Over the next few days, we met with leadership from Chartis Insurance (formerly AIG) to discuss Chinese domestic and international insurance facts and trends, and with representatives of the People's Insurance Company of China (PICC), the nation's largest domestic insurer, who had never before met with any Western counterparts. (A translator was needed.) In Shanghai, we met with representatives from ACE and Huatai Insurance Companies (partnering to take advantage of each other's strengths) to discuss commercial risk management and insurance in both domestically and Chinese-run overseas operations.

I have worked for State Farm for more than 30 years (I started really, really young), and if I have an expertise, it is in the area of catastrophe preparation and response. Living and working in California, and in the New Orleans area since 1993, has provided much experience with catastrophic events. I have spent thousands of days on temporary assignment in 25 states working as a claim representative, re-inspector/trainer, supervisor and more recently, in my current capacity, helping to create, coordinate and supervise the electronic and physical environments



Tiananmen Square in Beijing, China.



Pudong Financial District in Shanghai, China.

that allow claim handlers to do their jobs. So, I was grateful to be asked to pass along some of my knowledge to PICC, which has limited experience in this area.

We also met with the dean and several professors of the economics department at Peking University, and doctors and administrators of Lihuang Hospital's 800-bed wing devoted to Traditional Chinese Medicine (TCM), part of Shanghai University. One of the highlights of the trip was touring the hospital, including a TCM treatment room, where we saw a variety of TCM therapies being applied (e.g., acupuncture, massage and cupping), as well as a large herb processing and distribution center.

There were cultural outings as well, including Tiananmen Square, The Forbidden City, The Great Wall, a traditional tea ceremony, martial arts and acrobatic performances, and a fabulous visit to a senior center and "university," which essentially is a retirement home where there is no shortage of things to keep one busy. We also had great adventures in the cuisine department, as

traditional Chinese cuisine is somewhat different than that eaten in the U.S. Eel and jellyfish are common at meals, and the food choices and flavor as well as the order of service are quite different in Shanghai as compared to Beijing. On Mandarin duck night, a few of us even partook of fried scorpion.

But professionally what surprised us (perhaps it shouldn't have) is how well respected the CPCU brand is in China. The dean and professors we met with at Peking University literally gasped at a show of hands from all the CPCUs in the conference room. One of the takeaways was an agreement to explore adding CPCU curriculum to their programs, allowing graduates to simultaneously earn their degree and their CPCU designation. And in Shanghai, the American consultant for ACE, as well as several Huatai employees, have and value the designation. They believe there are now enough CPCUs in Shanghai to start the first chapter in China, and Marvin Kelly and Peter Miller will work with them to make it happen.

All told, it was a trip that will leave lasting memories, and the new friends and new knowledge made the experience much more than either a vacation or a business trip. I was the official delegation "journalist," and anyone interested can read the full journal that has been posted on the PTPI website (www.peopletopeople.com) and view presentations made by some of our counterparts in insurance and health care.

From the PTPI home page, click on "Adult Programs" and then "Journals;" in the drop-down menu, click on "Business" and then leader Kelly's name. The journal provides a more comprehensive look into the Chinese insurance market, its regulatory structure and environment, and some perspectives on China's legal and business standards.

If anyone has questions or wants to learn more about my experience, or this type of travel, I can be reached at eric.mcintyre.aoiu@statefarm.com. ■

Copacetic for Employers to Do a Facebook Background Check of Job Applicants?

by Eric J. Sinrod, J.D.

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Editor's note: This column was previously published by Findlaw.com in its Technologist blog and is republished with permission. **Eric J. Sinrod, J.D.**, partner, Duane Morris LLP, San Francisco office, writes regularly in this section on legal developments surrounding technology and the Internet. The column is prepared and published for informational purposes only and should not be construed as legal advice. The views expressed in this column are those of the author and/or do not necessarily reflect the views of the author's law firm or its individual partners.

Germany is a country that is attempting to grapple with controversial online data privacy issues. One of my recent blog posts deals with German legislation that seeks to address Google Street view. Now, Germany is taking on the issue of employers reviewing the social networking pages of prospective employees.

According to Spiegel Online, German legislation has been drafted that is intended to prevent employers from doing a Facebook background check and from checking other social networking pages of job applicants as part of the hiring decision process.

However, employers reportedly would be allowed to review sites, like LinkedIn, that are specifically intended to enable job applicants to promote themselves to employers.

Furthermore, information that generally is available on the Internet about job candidates reportedly would be permitted for review by employers, suggesting that employers could conduct Google searches relating to job applicants.

But employers reportedly would not be entitled to use Internet information pertaining to job applicants if that information is too dated or is beyond the control of the applicants.

Obviously, the foregoing is vague, and the devil will be in the precise details of the legislation to the extent it actually becomes law.

And even if a law is passed in Germany, and perhaps laws in other countries, people still would be smart not "to live to out loud" on their social networking pages. Plainly, people will post personal information on their individual social networking pages from time to time, yet they should take care not to post information or photos that might seem fun at the moment but that



later could be embarrassing and could cause negative consequences.

Related Resources

- "Google's Street View Too Close To Home? — Ask German Privacy Officials." FindLaw's Technologist Blog, Aug. 10, 2010: <http://blogs.findlaw.com/technologist/2010/08/googles-street-view-too-close-to-home--ask-german-privacy-officials.htm>
- "Social Networking Privacy: Something to Tweet About?" FindLaw's Technologist Blog, July 19, 2010: <http://blogs.findlaw.com/technologist/2010/07/>
- "Social Networking While At Work: Networking Comes of Age." FindLaw's Technologist Blog, Jan. 12, 2010: <http://blogs.findlaw.com/technologist/2010/01/social-networking-while-at-work-networking-comes-of-age.html>.

Are Collisions by Chance or by Choice?

by Paul Farrell

Paul Farrell is the CEO of SafetyFirst, a team of experts from the transportation, insurance and software industries that specialize in reducing commercial auto collisions through management information systems and programs. The company provides solutions in partnership with insurance carriers and transportation firms. More information can be found at www.safetyfirst.com

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Outside my office window is a three-lane divided highway with service road access. The county police constantly run a ticket sweep for people entering the service road without stopping. Two police officers can "work" two cars each on a continual basis through their shift. The county police always set up in the same, exact spot and always mid-week. Despite their predictability, they never fail to catch a bunch of motorists (and commercial drivers, too).

People rolling through the stop sign come in two types: compliant "give me the ticket" types and ones who argue. Both consistently get tickets — arguing simply slows down the process.



This behavior (rolling through stop signs) represents a **choice**, whether the police are present on that day is a **chance** occurrence. Texting while driving represents a **choice**, plowing into the back of a stopped truck while texting (an unfortunate but likely outcome) is a **chance** occurrence — many texters justify their **choice** by the fact that they haven't been in the wrong place at the wrong time ... yet.

There are a lot of "choice not chance" behaviors in traffic safety: drinking and driving; youth drivers with a boatload of friends "egging them on" to drive like idiots; aggressive driving — letting your emotions control your driving to the point of recklessness; driving while "in-text-icated" or YWD ("Yakking While Driving"); speeding; tailgating; failure to use signals; passing with inadequate clearance; running "yellow-orange-red" lights at intersections and much more.

It got me thinking about the "causes" of collisions. We know that the driver's action, attitude and choices are strong contributory factors in 90 percent (or more) of the collisions reported annually. However, I don't think I know anyone who'd be willing to argue that drivers choose to be involved in a collision. At the same time, I don't think they would defend the idea that collisions happen by pure chance either.

In a manufacturing plant, we don't have this discussion. Either the machine

malfunctioned, was set up incorrectly or the injured employee failed to follow a procedure. A much more "binary" solution (it had to be X or Y), there's no range of possible explanations. Why is it (apparently) different on the highway?

I've heard a few safety managers use the phrase "It was outside the driver's control" to defend the driver's involvement in the collision.

What could be outside the driver's control? I'd be willing to consider items like internal (invisible) defects in a tire that led to a blowout, sudden mechanical failure of an axle or steering linkage, invisible "black ice" and things happening beyond the driver's sight line (around the corner, hidden by a view block). But we know from experience and statistics that these don't account for too many collisions. Most are avoidable and preventable.

I think that the "outside the driver's control" issue could be better expressed this way: The driver chose certain behaviors and chance intervened to make conditions perfect for a tragic outcome. Had conditions (chance) been different that day, the "bad" choices wouldn't have led to a crash; therefore, it was chance's fault, not the driver's.

A colleague sent me a link of a police officer's video message (<http://www.youtube.com/watch?v=dNYLEEQQzDE&feature=channel>) about a drunk driver who made a **choice** to get in her car and drive while impaired. The resulting collision killed the officer's mother. It wasn't a **chance** occurrence — it was completely preventable because the collision was from a choice that had been made earlier in the evening.

Traffic safety is *every* driver's responsibility. A wise person would choose to learn from past mistakes and improve his or her performance after receiving coaching from an advisor. (*We reduce the chance of a collision by choosing to drive correctly.*)

We need to be held responsible for our own choices, and we need to learn to make better choices regardless of how "lucky" we've been in the past. ■



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