

SPECIAL REPORT

KEN HALE'S PROFILE AND PHILOSOPHY: CHANGING THE CULTURE

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This Special Report was written by Kenneth R. Hale, J.D., CPCU, AAI, LIC of Marsh & McLennan Agency LLC. Mr. Ken Hale can be contacted at 734-525-2412 or khale@mma-mi.com. More Special Reports are available at www.mma-mi.com.

My mission is to never sell insurance to anyone, but rather to change the culture of the insurance buying and selling process.

I happened onto the insurance profession somewhat by accident. In 1959, after serving in the United States Marine Corps, I sought employment through an employment agency and was placed by chance with an insurance company.

Over the next several years I ultimately was trained by three different insurance carriers as a Property and Casualty underwriter and in 1968 was employed by a large insurance brokerage firm as senior vice president of Michigan operations. All of these positions involved Property and Casualty insurance which, in short, relates to protecting assets from loss by fire, windstorm and other perils and insuring an entity's assets from loss by lawsuits arising out of injury.

In 1972, I was able to achieve a law degree which ultimately led to opening a law practice. Because of my Property and Casualty background, I gravitated as an attorney to assisting clients with their insurance needs. This entailed reviewing their Property and Casualty insurance programs and seeking an insurance agent or broker to place their insurance and service their accounts.

As I write this in 2017, I have been in the insurance profession for 57 years and have been a practicing attorney for 44 years.

My experiences then and now led to several revelations about the typical (there are some fine exceptions) insurance agency in the United States:

1. The **least** experienced and credentialed person performs the **most important tasks** and the most experienced and credentialed person is out “selling new accounts.”
2. **Efficiency is the mission.** This has evolved into less and less service by the insurance agent and more and more by the insurance company. Little analysis is done of the needs of clients, and annual renewals are sent to the client by way of an invoice in a window envelope without any thought as to whether or not the renewal coverages are appropriate.
3. Placement with insurance companies is more often based on the volume requirements or bonuses available by that company **rather than the needs of clients.**
4. Placement is often made **without the development of a cohesive insurance program.** Policies have different dates and different insurance companies.
5. Policy options, which are available to lessen the risk of coverage denials, **are not utilized.** Examples would be coinsurance waivers, replacement cost, valuation clauses, blanketing of limits, extending the business interruption coverage period, etc.
6. The insurance agent **seldom asks for documents** that are relevant to the insurance program, such as leases, purchase order agreements, and other contracts.
7. **No value-added services** are provided, such as a review of employee manuals or proactive risk management advice.
8. Placement of the insurance policy with an insurance carrier is made by people **without in-depth knowledge of the account.**
9. The agents and brokers do not place any emphasis on **insurance credentials**, such as Chartered Property and Casualty Underwriter

(CPCU), Certified Insurance Counselor (CIC), Accredited Advisor in Insurance (AAI), Licensed Insurance Counselor (LIC), etc. and seldom have in-house attorneys or certified public accountants who can add in-depth business expertise to the risk management process.

10. Insurance agents seem to place too much emphasis on “**sales**” and not **advice**.
11. **Seldom** is there any effort **to provide risk management** advice.
12. Seldom do clients receive **letters explaining the documents** that they receive, and almost never is there an in-depth **summary in plain English** of the important terms of the policy or options that are available.
13. Accounts are “**sold**” from agency to agency as agencies go out of business or retire. This brings a constant change in service people, new insurance carriers and less account knowledge.
14. **Seldom is there a relationship** between clients and the insurance carrier.
15. The insurance carrier utilized by agents often **changes from year to year** as they attempt to achieve volume commitments established by insurance carriers without any regard to building up a long-term relationship with one carrier.

As a result of these problems, I formed Cambridge Property & Casualty in 1974 and decided **to do it differently**. We structured the organization so that:

1. **The most experienced person does the most important work** of designing, servicing, placing the insurance, and most importantly advising the client.
2. **Clients are able to meet directly with the insurance company underwriter** and develop a relationship with the insurance carrier.

3. Policies **are modified to meet specific and extensive agency standards** of no coinsurance, blanket limits, etc.
4. **Plain English summaries** are done as a checklist for the client and for Cambridge and to also provide a tool to educate the clients.
5. **Account advisors are highly credentialed** as attorneys (J.D.), Certified Public Accountants (CPA), Chartered Property and Casualty Underwriters (CPCU), Certified Insurance Counselors (CIC), Accredited Advisors in Insurance (AAI), Licensed Insurance Counselors (LIC), and Risk Managers (ARM and CRM).
6. **Account relationships are acquired one by one**, not by the purchase of accounts from another agency.
7. **Review of related risk management documents** are part of the service process.
8. Placement of policies is **based more on breadth of coverage** than on premiums, and never to meet the volume requirements of an insurance carrier.
9. Insurance programs are designed on a **cohesive basis** - one date, one carrier if possible.
10. **We would specialize in Property and Casualty insurance and risk management only** and would seek alliances with other firms for other related services, such as estate planning, life insurance and investments rather than trying to be all things to all people.
11. Cambridge would develop its expertise in **manufacturing, technology, life sciences, professional services, real estate, assisted living, social services, child care, food distributors and processors, retail, and personal insurance for commercial accounts and other high net worth individuals** and avoid classes of business which could be handled better by other firms.
12. Treat all transactions with a **sense of urgency**.

This all can be stated by the following mission and core values:

The Mission is to be the best organization in the world in providing business insurance advice and risk management services and insurance placement services for businesses and individuals. This mission is facilitated by ten underlying core values that are at the heart of our organization's historical and future success.

CORE VALUES

1. **Add value** before we do anything else.
2. Employ **only the best associates**.
3. Represent **only the best insurance companies**.
4. Place **our client's interests** above our own.
5. Become a **trusted advisor to our clients** in insurance and risk management concerns.
6. Utilize insurance **attorneys as team members** on every commercial or personal account.
7. Require **coveted professional designations and continuing education** of our team members.
8. Act with the **highest level of integrity and fairness** to our clients, our insurers, our competitors and our associates.
9. Concern ourselves daily with insurance **industry market conditions** and pursue alternatives for clients whenever available and appropriate.
10. Maintain a **sense of urgency** as to all client and insurer needs.

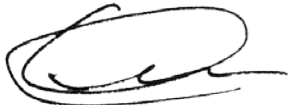
We want to be **irreplaceable, essential** and **priceless**.

Cambridge was acquired by Marsh & McLennan Agency on December 1, 2013. This provided Cambridge with significant worldwide resources.

The Cambridge of 1974 and its mission as part of Marsh and McLennan Agency (MMA) has not changed. In 2015, we still make the same promises and provide service in essentially the same way. This is why Cambridge is different than other brokers. While we continually improve our systems and increase our knowledge, any changes that we make in how we do business will always be for the benefit of our clients and not ourselves.

We look forward to even greater growth as **we continue to employ the most talented and credentialed people available in our profession** and utilize the insurance organizations with the best reputations and the broadest coverage to build our organization one account at a time.

Kindest regards,



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