

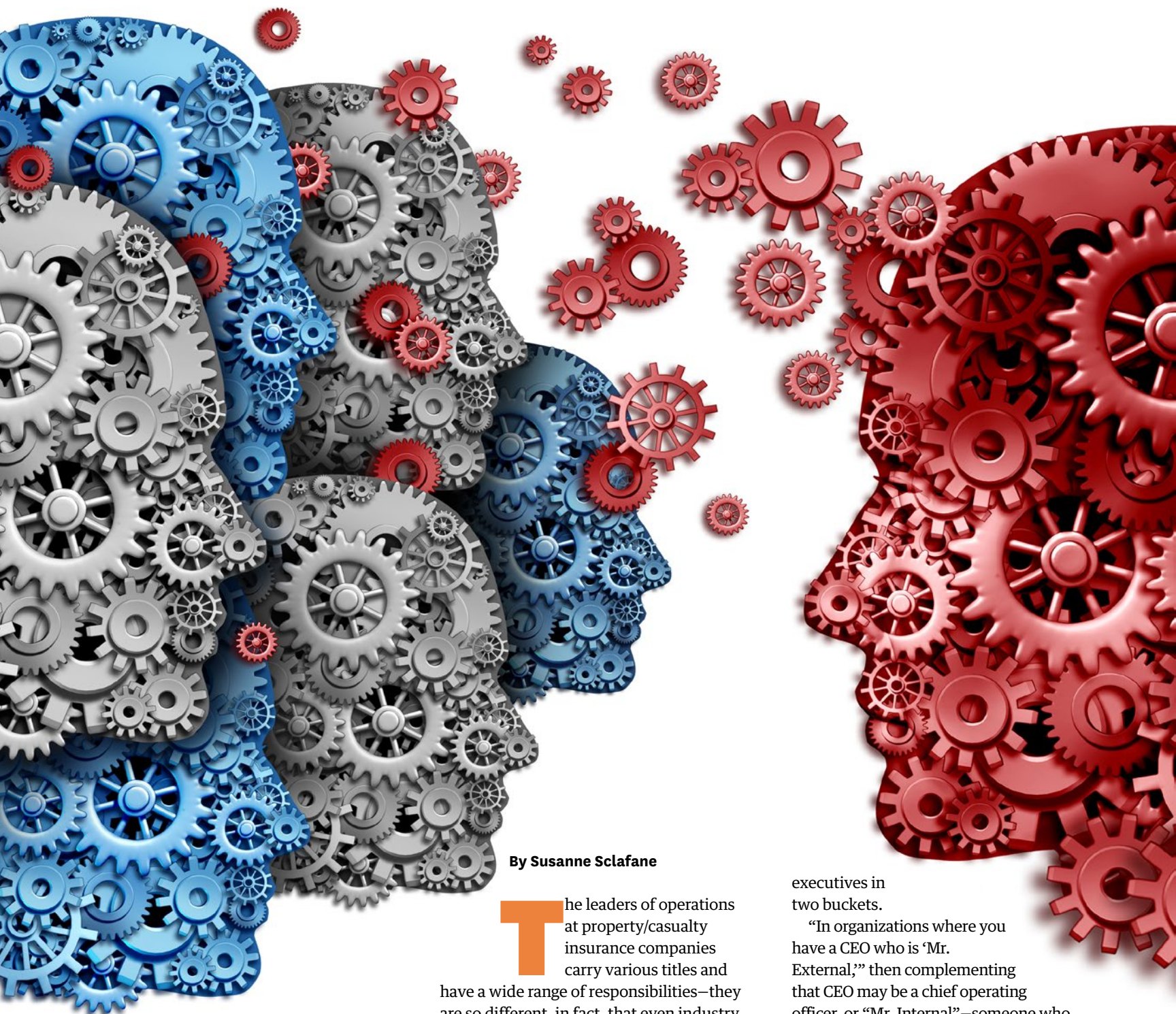
Carrier Management

Making P/C Operations Work: From Calm Multitaskers to Maniacs With a Passion

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Business-to-Business Series of
Articles: General Interest





By Susanne Sclafane

The leaders of operations at property/casualty insurance companies carry various titles and have a wide range of responsibilities—they are so different, in fact, that even industry executive placement experts have a hard time defining this category of professionals.

Erin Hamrick, a partner with Sterling James, a New York-based insurance industry executive search firm, attempts one categorization—putting operations

executives in two buckets.

“In organizations where you have a CEO who is ‘Mr. External,’” then complementing that CEO may be a chief operating officer, or “Mr. Internal”—someone who “will almost be a de facto president.” That type of operating officer may have the business units reporting to him or her but not the back office, Hamrick says.

In a second company model, the operations leaders run shared-services teams, commanding all the back-office

See related online article, “What It Takes to Be a P/C Insurer COO: Executive Recruiters’ Views,” for more perspectives from Hamrick and Jacobson at carriermag.com/48kfr.

functions. “They can actually have HR, technology and sometimes finance reporting to them. So they’re running the internal workings of the insurance company?”

The second group is the one that sometimes carries the title chief operations officer, she agrees.

But some P/C insurance organizations have neither a chief operating officer nor a chief operations officer, instead relying on the CEO to fill the role.

“Whether or not you need two separate and distinct people depends largely on the size of the organization, the complexity of the organization and the maturity of the organization,” says Greg Jacobson, co-chief

executive of the Jacobson Group, a provider of insurance talent based in Chicago.

Delving deeper into the subject, Hamrick and Jacobson repeatedly respond to questions about the qualities to look for in an operations leader by saying that “there is no blanket answer” or that “it’s very dependent” on the organization.

“There really are no two COOs alike in the insurance industry. It depends on the class of business, the mix of business, the size of the organization and the personality of the CEO,” says Jacobson.

The variations in the roles and the people who fill them come through clearly in our interviews with the two placement professionals and with five executives who

actually fill the operational leadership roles in their companies.

In the profiles that follow on pages 46-61, we ask the leaders to talk about their career paths and their day-to-day responsibilities. In addition, they share their views on three key questions:

1. When does a P/C carrier need an operations leader in the C-suite?
2. What are the most important qualities of an operations officer? (See page 44.)
3. Does a P/C operations leader need a background in insurance? (See related article, “Beyond a Sense of Humor: What Does It Take to Lead P/C Operations?” on CarrierManagement.com.) [CM carriermag.com/48kfr](http://CarrierManagement.com)

Does Your Company Need a COO?

Some P/C insurance companies have chief operating officers; some have more than one. Others have chief operations officers. All are C-suite positions.

But does every carrier actually need a leader of operations?

Leaders offer these views:

Michael Crowley, co-Chief Operating Officer, Markel Corp., says: In some companies, it may be that the chief executive officer has all the operational skills that are needed and has surrounded himself or herself with a team that can do pieces of the chief operating officer role.

It depends on the talent and the expertise that you have on board, how you structure the company. I don’t think you should get caught up on the CEO role or the COO role. Those are just titles.

First, decide what you have to do. You have to set a strategy and execute it. In order to execute it, you’ve got to have a team that understands the underwriting piece, the technology piece, the sales piece, the actuarial piece. And you have to count the dollars. You have a strong finance team that can do that.

Those pieces can either be inside the COO role, some of them, or they can be outside of it. They can be outside the

CEO role. It depends on the individual company and the talent that you have.

Sue Harnett, Chief Operating Officer, QBE North America, says: Having a COO lets other people do what they’re best at.

Business leaders should be best at serving customers, growing premium, etc. Let somebody else worry about the day-to-day—did the policies go out on time, were bills sent out on time, those types of things. Have it focused in another way.

You have to create a focus on like things. A chief operating role is someone that is a business partner and is capable of working with business leaders and understanding how the various functions in an operating group can best support the business.

Catherine Kalaydjian, Chief Operations Officer, Endurance Specialty Holdings, says: I personally think it’s a role that’s important...The right person with the right skill set can drive some real success and real efficiencies within an organization, [while] the business leaders—the CEOs of your businesses—need to be totally focused on building your business.

We all know there’s a whole bunch of other things that go on under the surface to support them. Should they really be distracted when they just need to be out

there trying to focus on writing possible business or finding niches?

Although companies define operational areas differently, I think having a person dedicated to operations and leading that, if it’s done right, brings synergy to the organization.

In some companies, marketing and communications, for example, are left with the underwriters. They’re supposed to be doing deals. They’re not necessarily experts at marketing. They’re not experts at finding new offices.

[At some carriers], when the company expands its base, they put an underwriting team in the city, and it is up to the manager of that underwriting team to go out and find real estate, get an office together, put furniture in it, figure out how to buy computers.

Here, we manage facilities and real estate under operations. We’ve got a team; we have much more of a corporate plan on real estate. We set global contracts on how we buy furniture; we set standards. The company saves money doing that.

There’s a real economic benefit to having an operations officer wear those hats. [At carriers that] don’t do that, you have a lot of individual businesses that start to feel like companies, as opposed to one company with many businesses. [CM](http://CarrierManagement.com)

WHAT DOES IT TAKE

to Lead P/C Operations?

04

Sue Harnett, COO,
QBE North America, says:

“You have to be supportive.

You have to be able to deal with ambiguity and complexity.

“How do you set a direction and how do you make sure people within the organization feel that they’re supported in the work that they do are two main questions for the COO to deal with.

“Understanding processes is important. Understanding financials and key drivers of financials is important. And I would never underestimate the ability to partner with other people in the organization. It’s vital.

“You have to be willing to work hard. I think women are very collaborative, which is a good skill for a chief operating officer.

“You have to be decisive.”

Michael Stone,
COO, RLI Corp., says:

“You have to have the patience to think through problems without being too deliberative. You’ve got to decide—but a little bit of patience goes a long way.

“You want to make sure your people understand and feel like you’re in control without being *controlling*.

“People are looking for leadership, and they watch how you behave and how you manage through situations.

“It’s how you keep your cool—keep your head while other people are losing theirs.”

Catherine Kalaydjian,
Chief Operations Officer,
Endurance Specialty
Holdings, says:

“You have to be a good listener to really get past some of the noise. There’s a lot going on.

“A lot of people are very impassioned, but you have to be able to be listening and taking in the big picture—and not making decisions that are only going to help one team.

“You have to have a very well-rounded understanding of the business. You can’t just be an expert in one area. You need to understand how the whole operation works.

“You have to be agile. You have to be able to work on multiple things at once.

“Operations leaders also need to be good communicators. The lack of clarity around the area of operations by its very self, I think, concerns people.

“You have a lot of people demanding your time. They need you to make decisions. You have to try to make them as fast as possible while staying as informed as you can.

“You have to be able to think fast on your feet; you have to try not to get too stressed. And you have to be able to be as even-keeled as you possibly can but be very focused and results-driven.

“Insurance professionals who like routines—who need to come to work at the same time and eat lunch at the same time every day—aren’t likely to do well in operations roles.

“If all this sounds like too much noise for a person, they would fail at this job. They would actually just drown.”

David Travers,
Chief Operations Officer,
Farmers Group, says:

“If you’re a person who likes to come to work every day and get out a playbook and say, ‘Here are all the things we’re going to do,’ and then you reduce it to spreadsheets,’ then this wouldn’t be a good job for you. And you probably would find that the team might not be engaged.

“You’ve got to like people, and you’ve got to like interacting with people at all levels of the organization. And I thrive on that.

“We’re paid to be on our game, to manage relationships, and to do it in a way that gives comfort and security to the people that are counting on us.

“It’s a people job.”

Michael Crowley,
co-COO, Markel Corp., says:

“You have to have a passion for what you’re doing. I think you need to show passion. If you don’t, then you should be doing something else.

“I think you have to be calm under fire, but I don’t think you have to be a calm personality.

“Things only get done when you have a maniac with a mission.

“I enjoy getting up every day. When I wake up, my feet are moving. I’m ready to go.

“There has to be an energy about what you’re doing. You need to energize the team.” **CM**

So You Want to Be a COO:

Career Advice From Operations Executives

By Susanne Sclafane

For junior-level professionals who see glimpses of their own personalities in the profiles contained in the following pages, the operations leaders offer some words of advice about climbing up to similar C-suite positions.

“The way to move ahead is to do the job that you have very well,” says Markel’s co-COO Michael Crowley. “Don’t be looking to the next job. If you do the job you have, doors will open for you.”

Ultimately, though, Crowley, whose background is on the brokerage side of the business, agrees that it’s important for COO hopefuls to broaden their bases. “Just because I didn’t grow up on that [carrier] side doesn’t mean somebody shouldn’t spend time understanding process, understanding continuous improvement, but also understanding sales and product development and all the other critical things that go into a role at an insurance company. You should be exposed to those things.”

Sue Harnett, COO of QBE North America, advises that “understanding processes is important. Understanding financials and key drivers of financials is important.

“And I would never underestimate the ability to partner with other people in the organization. It’s vital,” she says.

Any special advice for women looking toward a C-suite role in operations?

“You have to be willing to work hard,” Harnett says. “I think women are very collaborative, which is a good skill for a chief operating officer.”

Catherine Kalaydjian, chief operations officer at Endurance Specialty Holdings, notes: “Women are much more adept at change management. They’re much more

accustomed to waking up in the morning and having a day go to hell or things just go crazy. They don’t get quite so bent out of shape about it.

“Whether it’s operations or whether it’s administration, this is an area of [carrier management teams] where women should search out roles—where they can be managers,” Kalaydjian says.

Like Harnett, she also sees women as consensus-builders. “In operations, you’re dealing with so many different parts of an organization, different constituents—a procurement person and a PMO [project management] person, a claims person. They’re all very, very different people. A marketing individual is creative; an underwriting operations person is in the weeds and very detailed.”

Kalaydjian highlights the value of participating in industry organizations, having spent more than a decade volunteering for the Association of Professional Insurance Women, ultimately serving as president, and also becoming president of the International Association of Claims Professionals.

What about experience in P/C insurance—is that necessary for a future carrier operations officer?

Of the group interviewed by *Carrier Management*, only Harnett doesn’t have that background.

“I have good, solid business leadership skills. Those can serve you

well in any industry,” says the former executive of Citigroup. “I can go direct movies. The opportunities are almost limitless.”

Kalaydjian, whose entire career has been in P/C insurance, doesn’t think it’s a necessary requirement but offers reasons why it may be helpful. “I do believe that you could be probably very accomplished in operations [and] surround yourself with managers who actually know the industry.”

Still, there’s something to be said for understanding the business needs of the various P/C areas, she says. “If they’re asking you to create something that is so bespoke that it can only be used by them, a good operations person needs to step back and say, ‘Let’s go to the 80/20 rule and build it for everybody.’

“You do have an advantage if you come from any role within

the industry,” she reasons.

Crowley has a

similar view. “It

would take a special person, and I think they

would need to come in and spend a little bit of time in the

business before they took on that role.

“If you’ve never sat at an underwriting desk, or if you’ve never sold an insurance policy, I think it’s difficult to understand the dynamics of the business.” [CW](#)



From the Front Lines to the C-Suite:

Farmers' David Travers

Executive Summary: David Travers, the chief operations officer of Farmers Group, explains how his earliest experiences donning a headset and his annual excursions into the Utah back country prepared him for the position he has today. He also explains how a service professional can wrap his head around unfamiliar technology issues by getting IT team members to use backyard barbecue terms and to focus on how IT initiatives help Farmers' customers.

By Susanne Sclafane

When he was taking policyholder phone calls as a customer representative for a direct writing carrier 26 years ago, David Travers did not have designs on a position in the C-suite of an agency writer.

In fact, the chief operations officer of Farmers Group, who has now carved out a new career path to carrier leadership for countless customer-facing employees to follow, isn't terribly wrapped up in the chief officer title today.

"If you were to spend time here [and] just walk with me [on] the operations floor, or interact with the workforce, you would discover...the culture that we're operating in—and that the title, which might seem really important to some, to me is just a title," he says.

"I would never disrespect it because I know those things really matter in corporate scorekeeping. But as it relates to my career satisfaction, and what really matters to

For more of *Carrier Management's* interview with David Travers, including his thoughts on managing IT projects and a summary of some operational changes that have occurred at Farmers during his tenure, see the online version of this article at: carriermag.com/cmnpb.

me [and] my team, that title is a license to get things done and to be in a position to get things done for the workforce.”

Travers counts his early roots working in USAA’s contact center among the experiences that have given him an ability to really connect with the folks he leads on the policy service team at Farmers.

When “I look in the eyes of an employee, we can have a conversation that is mutually beneficial. They know I understand the reality of what they’re doing,” he says. “I can walk away from that conversation confident that they are comfortable enough with me to tell me what’s really going on—what I really need to know.”

In a recent interview, Travers explained how the credibility he has gained from his headset-wearing days and the leadership training he’s had from organized classes and from annual excursions into the Utah back country have groomed him for the chief operations officer role he holds today.

Q: Tell us about your background.

Travers: I was with USAA for 26 years. I started my career wearing a headset, talking to customers, and did that for about five years. I worked my way up through the service side of the business. I was in training, in project management roles and then ultimately was senior executive over all nonclaims customer-facing operations.

When I came to Farmers, I joined them in a similar role. I was brought here to transform their nonclaims customer-facing operations. At that time we were going to consolidate physical locations, modernize the technology platform. Then fast-forward to last year—I became the COO and now have the service operations still reporting to me, and then all the other things that go with the COO role.

Q: In some companies, the COO title refers to chief operating officer, but your title is chief operations officer. Is there a difference between the two roles in your view?

Travers: Structurally, it depends on the company. The COO role can have finance associated with it; it may have more control

“We’re paid to be on our game—to manage relationships, and to do it in a way that gives comfort and security to the people that are counting on us. It’s a people job.”

David Travers, Chief
Operations Officer,
Farmers Group



over some aspects of P&L.

At Farmers, this is truly an operations role. I don’t have oversight over finance from the CFO’s perspective. But I have a team that manages the operational finance component, and they interact with the CFO’s team. I manage real estate and fleet and procurement, [as well as] the customer-facing function, which includes in our model both agents and our end customer.

I also have [responsibility for] the IT organization. IT, in our world, is a fairly sophisticated place. [We] deploy technology supporting the agents running their small businesses. We also support their technology footprint that’s customer facing so they [customers] can interact with us in a way that complements what the agent is doing.

Q: Did you always want to work in insurance—to wear a headset?

Travers: I can’t say that I always wanted to, [but] joining USAA was a really good fit. If you walked in their contact centers, you wouldn’t believe you were in a traditional boiler room sort of contact center.

USAA is in the relationship business, and they know that. So the kinds of things you’re held accountable for are not how many phone calls did you take and how many seconds did each call last...

They’re really focused on why did the customer call, what did you do about it and is the issue resolved.

That really shaped my philosophy. So when Farmers approached me about joining the organization, the entire interview process was my belief about what it is we do in contact centers.

There was a great deal of alignment in our thinking, [which] made it easy for me to want to join this team, do the kinds of things I had been taught at USAA, and then work to expand that and take it to a new level on a different operating platform—because this is an agency-based organization, and USAA was not.

Q: Can you talk more about your experience at USAA?

Travers: When I joined USAA, policy service was like it was in many organizations—sort of an asterisk to other parts of the business. They weren’t really sure where it belonged. At different times it was part of communications, or it would be attached to underwriting.

As I moved up in that organization, I became the first senior executive whose sole responsibility was running the policy service function. The kinds of things I was able to do created a reason to legitimize that role differently in their minds.

To be able to take a career from the headset and shape it into something the organization’s investing in, and then have another company look at that and say, “We’d really like to talk to you about what you’re doing there,” has been fun.

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Operations

Q: Do you think other frontline customer representatives can follow a similar career path?

Travers: Almost everyone on my team started as a frontline rep, either here at Farmers or at another company. It gives us credibility when we [interact with] the workforce, knowing that they know we've done that job and we understand that job—we understand the complexity of it. And, most important, we respect that job.

Q: What qualities do you think are required to be a chief operations officer? What types of people aren't cut out for the role?

Travers: I believe with all my heart that you should never take this job if you do not like interacting with people.

Within my organization, we have a philosophy that says you're really going to be defined by how you treat the "least important" person in the room—putting least important in quotes because everybody in the room is important.

Who Leads the Operations?

Chief Operations Officer David Travers

Company: Farmers Group Inc.

Prior Experience:

- 26 years with USAA, starting in an entry-level customer service position and ascending to the position of Senior Vice President of P/C Operations.
- Prior positions at Farmers include: Senior Vice President of Service Operations (2006-2010); Executive Vice President of Service Operations (2010-2013).

What has happened during Travers' tenure?

- Consolidation of regional contact centers, started in 2006.
- Relocation of Los Angeles headquarters in progress.

What he thinks:

"Within my organization, we have a philosophy that says you're really going to be defined by how you treat the least important person in the room."

We're paid to be on our game—to manage relationships, and to do it in a way that gives comfort and security to the people who are counting on us. It's a people job.

Q: Is there training that can help someone learn some of the skills necessary to be a successful COO?

Travers: Certainly there's a level of technical capability that you need to have. For example, I'm not a real estate expert, but as I got into this role I have put myself in a situation where I'm interacting with real estate professionals and making sure I have a working knowledge of what's happening in that industry and how to think about real estate as it relates to a corporation this size. The same thing with IT.

But probably the things that have influenced my success the most have been the leadership training I've had over the years and exposure to really great leaders. You can synthesize different inputs from different great leaders [and] create your own personal brand from that.

Working at USAA is a very unique experience because the senior leadership there is comprised of a mix of industry folks and retired military executives. There was a standout guy for me there who was a four-star general when he was on active duty, and then he became president of a P/C company.

If you've been a four-star general in the military, [it's] the kind of role where you could get all caught up in your own ego and importance. [But] I learned more from him about how to be humble and approach the frontline employees with a level of regard and respect, which really took my game to a new level.

At Farmers, I've had a succession of leaders—starting with Paul Hopkins, who was the CEO when I got here—who are all very integrated into the social fabric of this organization. They do not stand apart from it. They do not run it at arm's length.

Q: You also have what you refer to as a hobby that you believe helps develop leadership skills.

Travers: There's a group of us that goes out to Southern Utah every year, and we go

into the back country, and we go Jeeping and hiking. This is probably my 35th year participating.

That is a leadership experience because you put yourself in a situation where you don't really know what's going to happen. You're going to have to make decisions on the fly, and you're going to have to build consensus with a group that doesn't always agree on everything that's going to need to be done. At times, you have very unexpected scenarios happen—complete vehicle failure and you have to figure out how you are going to get out of there, or no cellphone coverage.

Q: You mentioned that you're involved in strategic planning. It's commonly thought that COOs execute the strategy of the chief executive. Do you see the COO role evolving in the P/C industry?

Travers: I would say that it's not unique to the property/casualty industry.

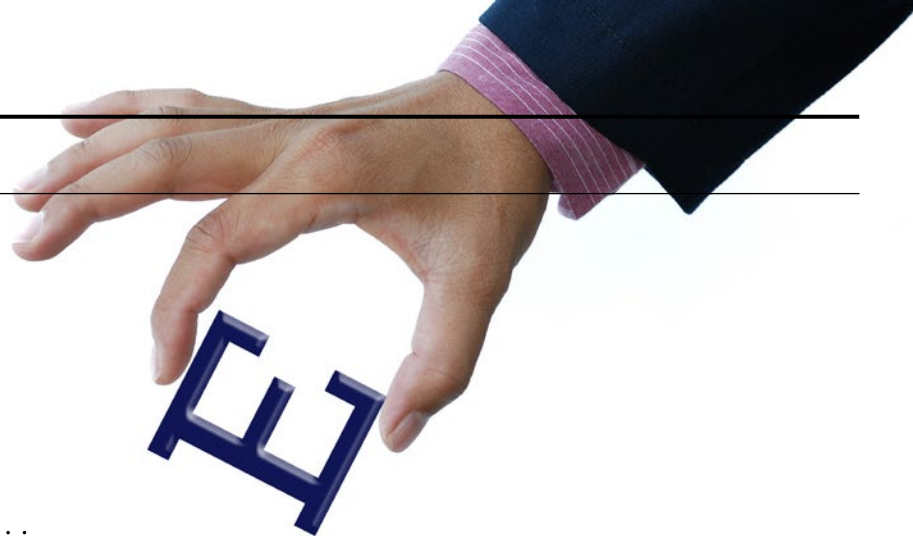
The CEO of this company has got a team that works on strategy. And I report to him. I'm part of that team.

I don't think it's realistic for any of us to believe somebody else is responsible for all of the strategy, and then I'll just execute on everything that comes in here. The functions that report to me—the team and the CEO—are counting on me to be thinking about what does the future state need to look like. And one of the things I've learned throughout my career that's an absolute certainty is that the problems we have faced in the past are not going to be the problems we're going to face in the future.

Part of my strategy is making sure I've got a team that is learning-agile and that they can basically walk into an empty room, be handed a bunch of problems that they've never seen before, and figure out how to navigate and get it done.

That's not just executing on an agreed-upon strategy. That is defining, developing and helping evolve the strategy as we go. I really believe that a role at this level demands that. You can't hide from the strategy. You have to participate. You have to be accountable for helping shape it. [CM](http://carriermag.com/cmnpb)

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Endurance Specialty's Catherine Kalaydjian: Thriving With

CHANGE

Executive Summary: Honing her abilities to assess situations and make decisions quickly during a career as a claims professional, Catherine Kalaydjian brings that experience and a prior background in management roles to her new position as chief operations officer of Endurance Specialty Holdings. As the leader of operations, Kalaydjian has been tackling an efficiency mandate handed down from new CEO John Charman in an environment of rapid change and growth since July 2013.

By Susanne Sclafane

Just six months after John Charman took the reins of Endurance Specialty Holdings in May 2013, he announced to the investor community that the management team had been completely restructured.

In addition, he said during a November 2013 conference call that the underwriting culture was being refocused and underwriting talent greatly expanded while total headcount and corporate costs had been slashed.

"In short, we've been really busy," he concluded.

Odds are that Catherine Kalaydjian was too busy to hear Charman's remarks.

Last July, Endurance announced that Kalaydjian would assume the role of chief operations officer, giving her oversight of IT, insurance and reinsurance underwriting operations, procurement, and project management. Those responsibilities came in addition to the ones she had taken on when she accepted the role of chief administration officer just six months earlier—managing HR, marketing, communications and facilities.

And that December 2012 promotion had added onto the responsibilities she previously had on her plate for more than five years as chief claims officer.

Heralding Kalaydjian's latest appointment, Charman, who spent his first 60 days in the CEO spot commanding an overhaul of the organizational structure, said: "Endurance will truly differentiate itself over the next five years by achieving one of the lowest operating expense ratios in our industry. Cathy will be instrumental

in helping us realize that goal."

What has prepared Kalaydjian for such a tall order?

The new operations executive, who started in the industry—right out of college—as a claims adjuster and worked her way up into different levels of insurance and reinsurance claims management roles over a 30-plus-year career, says the claims side of the business is an appropriate proving ground for operational leadership.

The "talent and art" of good claims analysis lies in having "an ability to assess situations quickly" and to make rapid-fire decisions based on those assessments, Kalaydjian says.

"Whether you're on the eve of a trial or making a decision about what a claim is worth, there's no book or manual that gives you those answers. You have to know it in your gut. You have to be able to immediately assess information from a variety of sources, and you [can't be] afraid to make decisions.

"Claims people have to make decisions every single day. It forces you to not be afraid. You have to be willing to fail, and you have to know that you're going to pick

continued on next page

See related articles at

CarrierManagement.com:

- **'Neutral-to-Challenging' Markets Ahead: Endurance CEO Charman**
- **Endurance Building 'Relevance' Through Leadership Changes, CFO Says**

yourself up and move on.”

Her new role as chief operations officer is similar, she says. “It’s all about execution, organization, reaching conclusions quickly. You can’t think about things for six months.

“You have to collaborate with the right people—bring the right people to the table. But at the end of the day, you have to make decisions and accomplish things. In claims, you accomplish something every day,” she says.

Sprinkling in some lessons learned from her managerial positions, Kalaydjian adds, “Being in a senior capacity in those roles has really helped me realize that nothing is as complicated as everybody thinks it is, that you can just get to the facts [and] make the right decisions, and that the company will benefit from a more streamlined organizational process.”

During a recent interview (excerpted below), Kalaydjian discussed her background and her thoughts on operational leadership generally.

Q: Your college degree was actually in marketing management. Why did you ultimately choose an insurance career?

Kalaydjian: I like the idea of marketing. I like selling things [and] improving things. In addition, I like bringing a lot of enthusiasm to projects. I really believe in that front-facing thing.

Going all the way back to my days in college when I was a manager of a McDonald’s, I also really like managing things [and] bringing things to conclusion. I like getting things done [and] motivating people.

But when I got out of college [in] 1981, I could not find a job in marketing or management. I saw an ad for a job as a claims adjuster, and it came with a car. It sounded like a private investigator, which was intriguing. I never looked back.

Q: Tell us about the organizational structure of Endurance. Also, what services are shared throughout the enterprise?

Kalaydjian: We have a shared-service model at Endurance. We went to that

“When you’re hiring new teams of underwriters, they need to underwrite. They need to be able to produce business. We want to make it as easy for them and as seamless for them as possible.”

Catherine Kalaydjian,
Chief Operations
Officer, Endurance
Specialty Holdings



many, many years ago because we believed we could get more economies to scale. Instead of having four CFOs, for example, we had one. Instead of having five CIOs of different divisions, we had one. If managed properly, we felt [that] in the ebbs and flows of the business, those shared services could be more efficient with less headcount...

Certainly my goal is building toward a very streamlined and efficient operation, where we are really putting all of our focus on our core business. Decisions on how those shared services are going to work and be used within the organization, however, are not made in a vacuum at my level. I may be managing it and I may be the leader of it—[and] I’m making recommendations. But the executive team of our company is

collectively making those decisions together.

[And] we have functional leaders running our functions. So the CFO runs finance; I run claims. But I don’t just do what’s good for claims. I do it as part of understanding what the businesses need and then work to support the businesses.

In terms of the organizational structure, what falls under “operations” at our company is a little bit [different] because of who I am. So in some companies maybe claims is not part of operations.

HR is in operations today in Endurance, but it will not be in 2014. HR will be run by its own executive as part of the executive team.

Underwriting operations is part of operations. This is not the actual underwriting. It’s everything once the underwriter underwrites and that information then has to come back into the organization. How is it managed? How is it coded? How do we build the products? How do we build the policy forms?

IT in our company is also in operations. IT could report directly to the CEO and the chairman of a company, or in some companies, IT reports are split in two—there’s insurance IT and reinsurance IT.

I believe that having it as one cohesive group with a leader, who is the CIO, but also working with [the operations leader], allows me to speak for IT in a much better and broader sense and to make technology decisions that are the right platform for the company, as opposed to making the right technology decisions for individual lines of business.

At some companies, actuarial is part of operations; it’s not at Endurance. The pricing actuaries are actually part of the business, and reserving actuarial work and the risk management actuarial work is part of the chief risk officer’s role and her area of responsibility at our company.

Accounting, at Endurance, is also not part of operations. It’s part of our finance team. That said, though, as part of

operations, as part of my role and my team's role, we would be looking for efficiencies in process and procedures around the company. We can facilitate a more streamlined view of how we do our processes within the organization, and that would ultimately affect all of the departments within the company.

So, if we can get some economies to scale in efficiencies in finance, or in claims, or in legal, or in any area of the company, operations is looking to do that.

Q: We have been asking operations leaders to describe the most significant operational change of their tenure. But you're new to the role, so what are you working on?

Kalaydjian: We really have gone through a lot of transition [in 2013]. The primary focus initially was IT—making sure we have the right structure within our IT operation to support our business growth going forward.

While we did bring in a new CIO, last May, he was relatively new at his job. My number-one focus when I took over was to work with him very closely for at least a month and help him land on his organizational structure and bring in those gaps in leadership that he needed to be successful. We've accomplished that with all of his new direct reports.

[My next area of focus involves] putting more parameters around our project management work and making sure we've got toolsets to actually report on projects consistently. My head of project management had already started to put that together, and we were able to roll that out as a first look for the executive team—something they have never been able to see before, all the timelines for the projects.

[Another] focus is on our real estate and facilities because we are in the course of opening our new corporate headquarters in the spring of 2014, [and we're in the midst of] a new office move outside of New York City for our IT and finance and other members of our team. We needed to open a new office in Atlanta for our growth in our underwriting, a new office in New Jersey

and to manage a relocation in Chicago.

The largest [task] right now is really underwriting operations. What is that supposed to be? Where are there gaps? Do we have any weak areas in supporting the businesses? And then identifying what those are. Are there areas where we could potentially reorganize to make ourselves more supportive?

Do we have any gaps with our technology to support some of the businesses? Did we have the right training tools in place for the underwriting businesses? Are we able to roll out new products quickly?

Again, these are not solely my responsibility. It's a collaborative effort. But I wanted to focus on areas where I thought we needed to shore up resources or move some people to different places so we could get things done as quickly as possible—because when you're hiring new teams of underwriters, they need to underwrite. They need to be able to produce business. We want to make it as easy for them and as seamless for them as possible.

Instead of focusing on all the things that were working really well, I needed to focus on the things where the demand potentially outstripped the resources or where we didn't have the tools to support them, and to try to quickly see what we could do to help the [new] businesses get up and running.

There are some other things I've been working on as well, but they weren't as mission critical as making sure our underwriters that are joining the company are coming in and very quickly having the tools they need to underwrite the business—being able to issue policies, being able to be out in the marketplace marketing the business and the company.

Q: Among your new areas of responsibility is the Project Management Office.

Kalaydjian: At any given moment, we could have anywhere from seven to 15 projects happening.

We have some significant projects that

continued on next page

Who Leads the Operations?

Chief Operations Officer Catherine Kalaydjian

Company: Endurance Specialty Holdings

Prior Experience:

- Before joining Endurance in 2003, Kalaydjian served in senior claims and administrative roles covering a range of reinsurance and direct property/casualty lines, including Senior Vice President, Head of Claims for QBE the Americas and Senior Claims Officer for Resolute Management Corp.
- Prior roles at Endurance include: Senior Vice President, Head of Claims for the U.S. reinsurance operations (2003-2007); Chief Claims Officer (2007-present); Chief Administrative Officer (2012-present).

What's going on?

- John Charman became CEO in May 2013 and quickly restructured the management team. Charman also set his sights on hiring new teams of specialty underwriters throughout the global organization while creating efficiencies and slashing corporate costs.
- Ongoing projects involving physical locations include the opening of a new corporate headquarters in the spring of 2014, as well as setting up new offices in Atlanta and New Jersey and office moves in New York City and Chicago.
- Other significant projects include a large transformational claims project, the ongoing rollout of Endurance's policy-issuing system to new lines of business and a straight-through processing finance project.

What she thinks:

"Claims people have to make decisions every single day. It forces you to not be afraid. You have to be willing to fail, and you have to know that you're going to pick yourself up and move on."

are underway and also part of our 2014 budget. For example, we are going to be doing a large transformational claims project and putting in a brand-new claims system at the company for the first time since our inception in 2001.

We are continuing to roll out our policy-issuing system to new lines of business that we are planning on doing at the company...Also, currently, we have a straight-through processing project happening. That is really a finance project that allows our clients and customers and brokers to report to us electronically and then have the receipt of premiums and cash application happen automatically to the system.

Q: In your opinion, what are some of the qualities that make a good chief operations officer?

Kalaydjian: A lot of people overengineer operations. I think if you look at things very simply, you will get to your answers much quicker and they'll be better answers. If you overengineer it, it will look great and you'll have a great presentation, but you'll never get to a conclusion.

If that's your personality—to be very, very detail-oriented and very meticulous, I think you also will fail as an operations person [because] you won't have the adaptability to be successful. [CM](#)

carriermag.com/axm7v

(For more of Kalaydjian's views, see related article, "What Does It Take to Lead P/C Operations?" page 44.)

All in the Family

For Catherine Kalaydjian, chief operations officer of Endurance Specialty Holdings, schedules of meetings and appointments in the office can be so hectic that she often doesn't find a lot of quiet time to think through the operational problems she needs to tackle.

"I have to do that at night or at home on the weekend—or in the car driving into the city with my husband."

Kalaydjian's husband, she reveals, also works in the insurance industry—in operations as well.

"He works at AIG, and he's been invaluable to me," she says.

"I've been able to get some of the acronyms defined, or I've been able to say, 'Hey, this is what I'm seeing and feeling. Is it typical? Is this unique to Endurance? Is it how big companies run their operations?'"

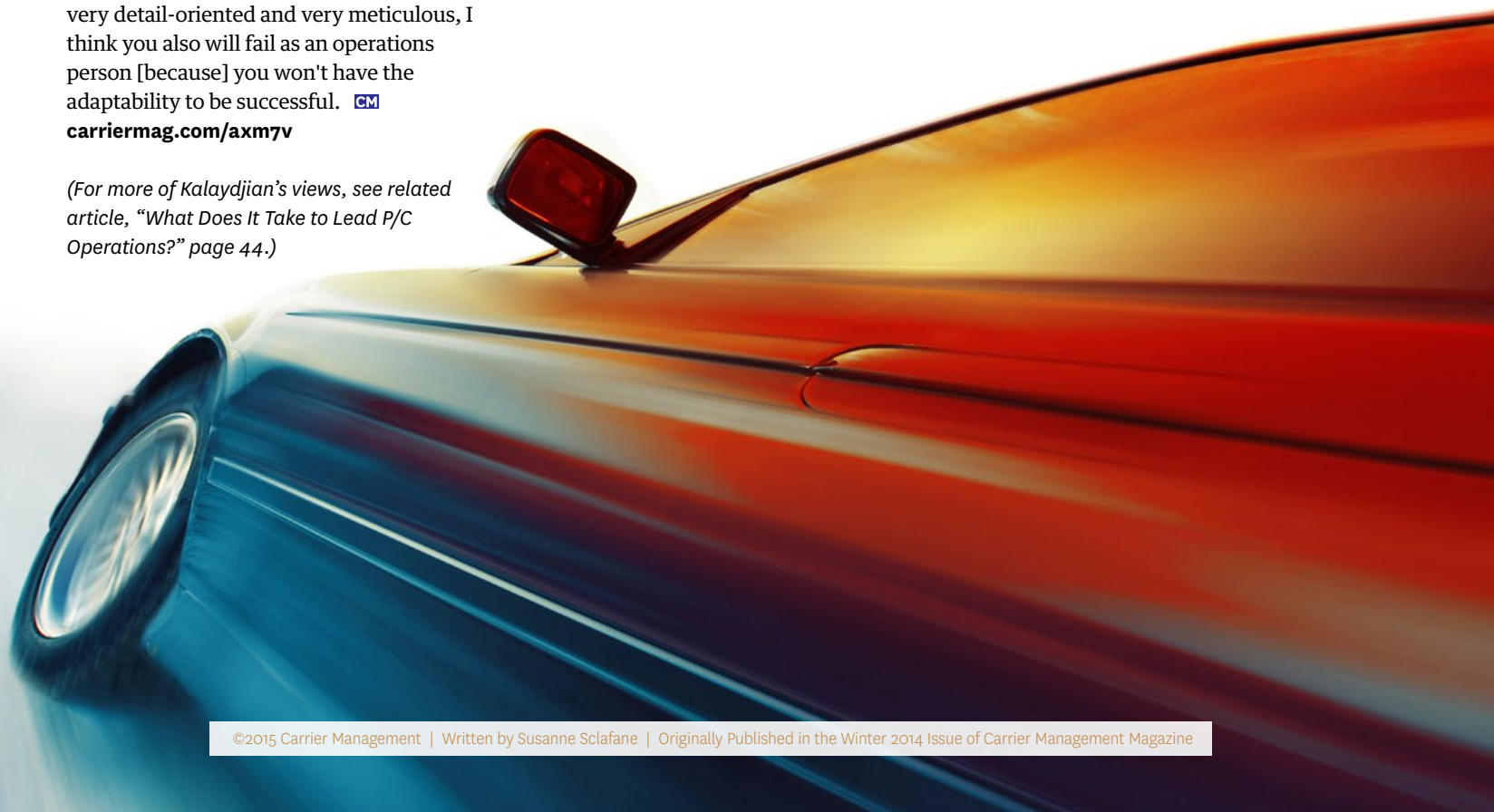
Kalaydjian notes that the two don't

discuss deals that are happening within their individual companies. "We don't share management discussions. It's more theoretical...It's more about organizational structure or understanding how was IT structured in this part of AIG or how other operations are structured at carriers.

"This isn't confidential information. It's more best practices. It's just like reading in a magazine, trying to understand industry information."

During our recent interview, *Carrier Management* asked Kalaydjian what types of resources are available for someone new to operations to learn about the role.

"There's a lot on the Web, and resources like E&Y, PwC and Deloitte as well. We work with these [consulting] companies," she says, characterizing her discussions with her life partner as similar to these best practices guides. [CM](#)



Markel's Michael Crowley: Former Broker COO Deepening Carrier Sales Culture

By Susanne Sclafane

Michael Crowley had been in the chief operating role of property/casualty insurance organizations for nearly two decades when he signed on to be an executive for Markel Corp. in 2009.

But for all of those years—in fact, for his entire career in the insurance industry dating back to 1974—Crowley had been on the retail brokerage side of the business.

So how did his friend, Vice Chairman Anthony Markel, convince the broker executive to accept what Crowley knew would be a challenging role as president of Markel Specialty, and later the position of co-COO of the carrier?

“If I can do it, you can do it,” Crowley recalls Markel saying, referring to the fact that the company’s longtime former president and COO never worked in insurance underwriting.

Lack of hands-on experience at an underwriter’s desk didn’t stop Markel, along with his brother Steven and cousin Alan Kirshner, from growing a company that now has an \$8 billion market capitalization from one that was a fraction of the size when it went public in 1986, Crowley notes, revealing his clear admiration for the three-member executive team.

Like Tony Markel, Steven is also a vice chair, while Kirshner has the title chair and CEO.

Titles, however, aren’t all that important at Markel Corp., Crowley suggests, describing his
continued on next page

Video Bonus:

For more of *Carrier Management*’s recent interview with Michael Crowley, captured on video, visit the Carrier Management channel of www.insurancejournal.tv. Segments include: “How Markel Is Writing More Business With Fewer Submissions” and “From Five Silos to OneMarkel.”

own position on a three-man operating leadership team alongside co-COO Richie Whitt and Chief Investment Officer Tom Gayner.

In fact, another aspect of the Markel leadership team that makes the ex-broker chief entirely secure these days is the fact that Whitt, Gayner and Crowley work together running the day-to-day operations, responding interchangeably to situations as they arise when one or the other isn't available, but also primarily playing to their strengths—Crowley in sales and people management, Whitt in finance, and Gayner in investments.

"I've been in a chief operating officer role, in one fashion or another, since 1991. So that piece fit nicely," Crowley adds.

Still, thinking back on his earliest days, Crowley admits, "It took me a long time to get comfortable and to understand the metrics on the underwriting side of the business. When I was running a brokerage firm, my focus was on growing the top line and managing expenses to that top line."

For Crowley, the learning experience has been a welcome one. "It's not a bad idea to have to get up every day and have to re-earn your stripes and learn a new profession or a new division or a new capability that you didn't have before.

"For a considerable period of time at Markel, I felt like the dumbest guy in the box. Even the terminology I didn't understand that well," referring mainly to actuarial concepts, loss reserving issues and capital models used to price products going forward.

"Running a brokerage firm, you know what the metrics are. You know what rent should be, what payroll should be. You know what everything else should be as a percentage of revenue.

"On the other side, it's all about underwriting profit. It's not about top line," Crowley says.

"It's the same business, but it's a different game. You play it differently. It's not about volume—it's about writing business with profitable margins and reserving conservatively.

"During my first year at Markel, we

"When I wake up, my feet are moving. I'm ready to go. There has to be an energy about what you're doing. You need to energize the team."

Michael Crowley,
co-Chief Operating
Officer, Markel Corp.



shrunk the top line 14 percent in a tough market but grew the book value of the company 28 percent," he reports.

While learning the rules of the underwriting game, Crowley clearly brings some welcome skills to the operating team at Markel, developed while he earned his stripes at retail brokerage firms, along with a passion for selling. During a recent interview (excerpted below), he spoke about that passion, his career and the role of COOs generally.

Q: What experiences from the retail brokerage side helped you in your position as co-COO at Markel?

Crowley: First, I understood coverage. I learned coverage early on. I grew up on the property side of the business basically. I understood doing deals and putting policies together. It's like putting a puzzle together.

And, obviously, I had to deal with the underwriting side of the business every day when I was placing coverage as a producer [and] in my role as a leader in other firms.

Q: Tell us more about your background.

Crowley: I started with Johnson & Higgins in 1974. I'm in my 40th year in the business. I served as president and COO and then vice chairman of a large, privately held brokerage firm, Palmer & Cay, for 12 years, and then served as president and COO of Hilb, Rogal & Hobbs prior to it being acquired by Willis.

I was with Willis for a short time [before] I joined Markel in February 2009, [and I] moved into the co-COO role in May of 2010.

Q: Were you always in management positions?

Crowley: I started as a trainee. I had to start somewhere. I can remember sitting at a desk and reading insurance policies to learn insurance, and comparing insurance policies. I learned that way and then progressed through the organization. I became a manager, but I spent most of the time in sales.

Q: How do you divide up the day-to-day COO responsibilities with Mr. Whitt?

Crowley: He runs international and the reinsurance piece, as well as some of the admin and finance functions. I take the U.S. specialty, the chief underwriting officer reports to me, the wholesale division and global insurance. HR also reports to me because I have a passion for the people side of the business.

If I'm not there, he makes decisions in those areas. And if he's not there, I make decisions in the areas that he deals with on a daily basis.

It's not as simple as I'm doing this and Richie is doing this—that there are silos and they don't cross. Everything we do every day crosses and interacts.

Q: What is the typical day like?

Crowley: Primarily one of the things I have focused on at Markel is building a sales culture.

Tony Markel and Alan Kirshner are both great salespeople, but I think we didn't go far enough down into the organization in

terms of instilling in people that we can't sit and wait by the phone for a broker or agent to call us to write a piece of business.

We've got to be out in front of them, articulating what our underwriting appetite is, what lines of business we want to write, and really spreading the gospel about what Markel's about. We have a strong balance sheet. We're in a strong financial position. We're going to be there to pay the claims when that happens.

So I spend a lot of time on the branding, marketing and sales side. Marketing reports to me.

Also, from my brokerage background, I have a passion for talent and recruiting talent. So human resources reports to me. I asked for that.

I spend a lot of time attracting talent and interacting with the talent of the company to make sure that we have the right people in the right positions and that we also are spending a lot of time on succession—making sure that we have backups in our key positions.

And then, I am dealing with the results of the company. I see on a monthly basis how we're doing, and where I see issues—where somebody's off budget or off what their results were in prior years...

I put a lot of emphasis on year-over-year results. And I spend my time focusing on those areas where year-over-year results might be slipping, either in the profitability of a line of business or in the revenue of a line of business.

And then, [with] Richie and Tom and Alan Kirshner, we're spending a lot of time right now setting the strategic direction of the company for the next five years.

Q: So as a chief operating officer, you're not simply executing the strategy of the CEO as might be the case at other companies? You are also involved in setting the strategy.

Crowley: It's clearly different at Markel. Richie [Whitt] and I and Tom [Gayner] are heavily involved in setting the strategy for the company with Alan Kirshner and the Markels. Our role is more than just executing the strategy. It's developing the strategy and then executing the strategy.

Q: You talked about instilling a sales culture, and the fact that previously it wasn't low enough down the chain. How do you, as the chief operating officer, instill that?

Crowley: I get kidded about saying all the time that nothing happens till somebody sells something, but that's true....

Fortunately, from being on the brokerage side of the business, I know a lot of people. I've called on those people and opened doors for underwriters to go visit them and to articulate what we're about, what we're trying to do and what our product offering is. I think that's been helpful.

I spend a lot of time with our agents and brokers, and having been on their side of the business, I understand what their needs and wants are. I can help our people on the underwriting side, who have never been agents or brokers, to understand that we need to respond quickly. And that a "no" is not always bad as long as you give it to the agent or broker quickly.

Actually, a couple of years ago, for the first time, we instilled a growth component in our underwriting compensation plan. So, while underwriting profitability is still the driving factor in [the underwriters'] compensation, we've put a component in there for growth to get them to understand that we can't sit on a book of business. We need to grow. We need to be a dynamic company and to provide opportunities for people.

We doubled the size of the company in the last four-and-a-half years. If you aren't a dynamic company, if you aren't growing, then you can't create as many opportunities for people—career opportunities, bonus opportunities, growth opportunities, educational opportunities. We're committed to that.

Q: One of the biggest recent headlines for Markel—and for the industry—was the closing of the \$3.1 billion acquisition of Alterra Capital. We haven't talked about your role in integrating Alterra with Markel.

Crowley: I've been heavily involved in that, as have Richie and Tom and others.

In our due diligence prior to the acquisition of Alterra, there were two key

litmus tests. One was we snuck away, before we announced that we were willing to do the deal, with about 40 of their top key people and 40 of our top key people, for three days outside Washington, D.C., and under the cover of darkness spent three days together, just seeing if people could work together [and] if it was a culture fit. We left there feeling really good about it.

We also did a deep dive into their reserving practices—were their reserves conservative enough for us to do the deal? We felt they were.

We paid a fair price for Alterra. We didn't buy it cheap, but I don't think we overpaid. We'll see, five years down the road.

Alterra was not a fixer-upper in our minds. We have done acquisitions in the past that were. We're delighted with the people. Hopefully they're delighted with us. The cultures seem to be meshing extremely well. [CM carriermag.com/ey4cs](http://carriermag.com/ey4cs)

Who Leads the Operations?

Co-Chief Operating Officer

F. Michael Crowley

Company: Markel Corp.

Prior Experience:

- 1974-1991: Johnson & Higgins; positions included Senior Vice President.
- 1991-2004: Palmer & Cay; positions included President, COO, Vice Chair.
- 2004-2008: Hilb, Rogal & Hobbs, positions included President & COO (acquired by Willis in 2008).

What's going on with Markel's operations?

- In 2009, Markel implemented its OneMarkel strategy, reorganizing siloed insurance companies into one cohesive wholesale division with five regions in the country.
- In 2013, acquired Alterra Capital Holdings for more than \$3 billion.

What he thinks:

"Nothing happens till somebody sells something. If you aren't a dynamic company, if you aren't growing, then you can't create as many opportunities for people."



RLI's Michael Stone: Managing People Is the Key to COO Role

Executive Summary: At RLI, a company that has recorded 18 consecutive years of underwriting profits, operational challenges revolve around growth initiatives—integrating new products and acquired teams of people, says COO Michael Stone. The former claims executive says people management skills are critical to success in the COO role.

By Susanne Scalfane

Online bonuses at CarrierManagement.com:

- COO Michael Stone talks about RLI's LEAD program, a formal program devoted to the career advancement of RLI employees, in a related article, "RLI Takes LEAD on Succession Planning With Formal Talent Program."
- RLI CEO Jonathan Michael explains RLI's track record in a related video: "How to Make an Underwriting Profit? RLI's CEO Jonathan Michael Explains."

If you can keep your head when all about you are losing theirs..."

With apologies to Rudyard Kipling, you might finish that sentence with the phrase "you can be the chief operating officer of a property/casualty insurance carrier." At least, that's how you might finish it after talking to one: RLI Corp.'s Michael Stone.

Stone used Kipling's line when we asked him about some of the defining characteristics of chief operating officers.

"People are looking for leadership, and they watch how you behave and how you manage through situations. You want to make sure that they understand and feel like you're in control without being controlling," he adds.

With RLI declaring an extraordinary cash dividend for holders of the company's common stock the day before *Carrier Management's* interview with Stone—tangible evidence of the specialty insurer's ongoing record of financial performance—it

doesn't seem like there's much for anyone to be losing their heads about at RLI.

But with more than a decade in the COO role under his belt, the 37-year veteran of the P/C industry says that combining the skills to manage people with an ability to be patient yet decisive has helped him rally the troops through times of stress.

Here, Stone talks about the situations that a P/C COO has to control and his own path to the C-suite.

Q: What has been the toughest challenge you had in the role of chief operating officer?

Stone: I don't know if there's any one, but those that stand out are all similar. They revolve around people—either disciplining people or promoting people, and how the organization manages through that.

How you communicate, how you carry yourself, how you steer the organization through it—those are tough. The tough problems revolve around people. And at the end of the day, this is a people business.

Q: Given your view—that the COO role is about managing people—does it follow that you don't think someone needs to have experience in the P/C insurance industry to be COO of a P/C carrier?

Stone: No, I think the insurance background is very important. I'm not saying that a good manager can't manage anything. But I think you'll find that most good managers had, in their career, some technical expertise and some technical depth. They know something about the product that they're selling.

It would be hard for an aircraft engine guy to come to RLI and be a good P/C COO. I'm not saying he couldn't be, or she couldn't be. I just think there's something about feel for the business. There's something about gut for the business, instinct, whatever the right word is that comes from experience [and] technically understanding how the business works.

All businesses work the same, by and large. You're trying to make a profit, you've got expenses, etc. But...property/casualty insurance has its own peculiar complexities. Understanding those takes some knowledge and typically experience. To try to do the job without that would be very, very difficult.

Q: Tell us about your background.

Stone: I spent my career until I moved to RLI in 1996 with Travelers, most of the time in Hartford. I came up the claims side of the business. I'm a lawyer by education but an insurance claims professional by trade.

I held a number of positions at Travelers with increasingly more responsibility. I was running the casualty claims department at Travelers when I got a call from RLI to come run their claims department as a vice president. At the time, the company [RLI] was quite a bit smaller, but we've had a good run over the 17 years that I've been here.

When our chief underwriting officer left to take a position with a different company, I combined those two roles. I took charge of underwriting in our branch offices. We do our underwriting out in the field and those field product [leaders] reported to

“Trying to influence people at all levels—customers, employees, regulators, investment community. That's what the job is about.”

Michael Stone,
co-Chief Operating
Officer, RLI Corp.



me, as well as the claims department, the home office underwriting department and our operations staff.

So I was running the technical insurance functions as a senior vice president. Then I came to this current role shortly after [former COO] Jon [Michael] stepped up to be the CEO and Jerry Stephens, our founder, became the nonexecutive chairman...It wasn't a big change. In a lot of ways it was a title change to recognize what I was doing.

Q: Your first transition from claims was to take on the responsibilities of the CUO. Was that difficult?

Stone: It's obviously a different technical skill, but it's still insurance. And it wasn't like I was underwriting individual risks. I was managing people, which is a skill a bit apart from the technical skill. I had been managing people for quite some time.

At RLI, we have product heads who are really responsible for the underwriting of their particular products. My role was to provide oversight from a corporate

perspective and to make sure they weren't running us into any brick walls or over cliffs—trying to manage the aggregate risks.

Managing a department and managing these people who were experts in their field is not something from which I was that far removed. I won't say the transition was easy. At my age it was a challenge, but a welcome challenge.

Q: Beyond managing people, is there any other way in which a career in claims helped to prepare you for the COO role?

Stone: At the end of the day, what we're selling as an insurance company is financial security and management of those customers after a loss. I saw that up close and personal. I was day-to-day involved in that.

Most senior executives in insurance don't come up that side. I think that gives me a bit of insight that helps across our senior management team that most companies don't have.

Q: What is your typical day like?

Stone: Like most management jobs, you've got people in place directing their functions who have technical expertise. So I'm really making sure everybody understands our strategy—that we're all pulling in the same direction.

Everything isn't always working perfectly, so you're spending more time in one area than another to try to help get things going in the right direction or fixing something that's a bit broken.

My day is one of going to meetings by and large, talking with people, traveling, going up to visit our branch offices...I also spend time with the investment community. I'm trying to influence people. I'm trying to get them to understand the RLI story, the competitive advantages we have, the value creation we provide.

It's really trying to influence people at all levels—customers, employees, regulators, investment community. That's what the job is about.

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Operations

Q: What areas have commanded most of your attention recently?

Stone: We've gone through a complete building renovation, so managing to keep our people working throughout that and keeping them focused on the customers.

We've expanded quite a bit over the last five years. We had to integrate a surety company in the West Coast into our operations. We've integrated a medical malpractice company into our operations.

We've had a number of startup products over the last four or five years. It's integrating them, getting them up and running, getting their systems developed and implemented so that they can write business.

Q: How do you learn to manage people? Or is it just an inborn skill?

Stone: Like most things, it's a bit of both. Some of it you gain through experience, some of it you gain through a simply

technical training of some sort or another, and some of it is your personality. It's how you keep your cool—keep your head while other people are losing theirs [and] manage through issues and chaos.

I'm experienced, so I've been through a few situations. I think that helps.

I think there's a place for somebody who's been around for quite a long time and there's a place for younger people who are moving up and have got a lot of energy and a lot of drive.

Q: Do you have any mentors in the business or role models?

Stone: I've had people down through the years in various positions that I relied on as a mentor, or at least a friend or colleague in the business that I could seek advice from who wasn't my boss, which I think is important.

It's important in the corporate world to have tentacles throughout the organization no matter where you sit. It's not just the org chart that [determines] the way information flows or the way things get done. It's having relationships with people at all levels—either for information or for technical expertise, or just for relaxation or release.

It's important to have an organization and the proper structure, but you also need to have an informal network.

Q: Let's talk some more about the organizational structure of the operations of RLI. Which functions are centralized at RLI, and which are delivered at the underwriting products division? Who's making decisions about staffing and technology at the product level?

Stone: The people who run our individual products participate in everything that has to do with their products. But we do the financial function in a centralized way; we do our human resources in a centralized way. Likewise for our IT and actuarial work.

Our claims department is separate organizationally. We have claims people who sit with particular products and are experts in particular products, but they report to the claims department and not to the underwriting function.

We centralized the things that are efficient to centralize, or that need to be centralized from a separation of authority or responsibility basis. Everything else, we want the underwriting product expert—the product leader—to be driving.

Q: What's the best decision you've made in your tenure?

Stone: The best decision I made in my business life was to work for RLI—and I don't say that lightly. I was with a big company, and I was at a stage in my life, age-wise and experience-wise, where I was either going to become a lifer or I was going to leave. Not that Travelers isn't a great place. But you can have a much bigger impact in a smaller place, and a much bigger impact in a shorter period of time.

Q: What about the biggest lesson learned?

Stone: The more experienced I've become, the more tolerant I've become—of different styles, different walks of life, and different ways that people approach life and therefore approach their work. Then there's the patience to really understand and deal with people and with situations.

Anybody can make a decision; it's trying to make the right one. So it's having the patience to think through things without being too deliberative.

Q: What are some of the top goals that you set for RLI over the near-term horizon?

Stone: The biggest challenge we have is to keep our performance up. Our performance has been very, very good, and to continue at that level of performance is difficult.

And we have to grow. That's true for any company. You don't have to grow evenly, and you probably shouldn't grow evenly or consistently. But over time you've got to grow because your expenses are going to increase, people are going to want more, and you've got to provide opportunities.

The way you provide opportunities is to grow. You grow, and new jobs are created, new needs are developed, and that's how people get new opportunities and get growth and advancement in their careers and their lives. cm.carriermag.com/k4pr2

Who Leads the Operations?

President & Chief Operating Officer

Michael J. Stone

Company: RLI Corp.

Prior Experience:

- 1977, started with Travelers as a claims professional by trade.
- 1996, joined RLI as VP of Claims.
- Later took positions as Chief Underwriting Officer, SVP Operations, before becoming COO.

What's going on?

- In January, RLI reported its 18th consecutive year of underwriting profit.
- Recent office building renovation.
- Several recent acquisitions, including a West Coast surety company, a medical malpractice company and startup product launches.

What he thinks:

"This job is really about people. Do we have the right people in the right places? How are we motivating them? How do we get them to be as productive as they can be and keep them interested in RLI and the RLI way?"

QBE'S SUE HARNETT: Leading a Transformation

Executive Summary: Operational transformation is a central activity at QBE these days, and leading the effort in North America since late 2012 has been Chief Operating Officer Sue Harnett, a 30-year veteran of Citigroup. In a recent *Carrier Management* interview, Harnett described how her background in change management in the financial services industry prepared her for QBE's challenges and what transformations are in motion at the company today.

By Susanne Sclafane

Operational transformation is a central activity at QBE these days, and leading the change in North America since late 2012 has been Chief Operating Officer Sue Harnett, a 30-year veteran of Citigroup.

The COO role was new to QBE North America when she joined, Harnett reveals, explaining that while individual disciplines like claims, IT and legal previously reported directly to the CEO, an “agenda of activity” that included “transformation initiatives across every part of the organization” prompted the decision to create the position.

Harnett, who is unique among the executives of property/casualty operations interviewed by *Carrier Management* in that she has no previous background in the insurance industry, is up to the task.

The 80/20 rule applies, she says. “About 80 percent in any senior leadership role is the same. The 20 percent that’s different is what you have to really make sure you understand or have someone near you who understands it very well.

“I admit what I don’t know. Oftentimes, leaders, particularly at a senior level, don’t

want to admit that they don’t know everything. But my general nature is very probing,” she says.

Having spent her entire career in financial services, Harnett has moved from product to product and country to country, finding that there were different skill sets required for each environment. “You figure out what is the same and what is different and then manage accordingly,” she says.

Beyond that, Harnett finds commonality across the insurance and other financial services segments. “Financial services has been almost on the leading edge of innovation, cost reduction, use of data, process design—all the things that help drive efficiency,” she says. “It’s just their nature. They’re very

transaction-heavy businesses. The [financial services] industry lends itself to that type of expertise,” she says, adding that being involved in regulatory compliance activities is also a transferable skill.

Does Harnett think her unique background gave her an edge in landing her position at QBE?

“I’m a firm believer that a fresh pair of eyes is always a good thing. So even within financial services, from time to time we would bring people in from different industries with different backgrounds.

“And I have good, solid business-leadership skills. Those can serve you well in any industry. I can go direct movies,” she says. “The opportunities are almost limitless.”

Harnett, who says that her company is still in the middle of its transformation movie, answered more questions about her background in change management in the financial services industry, QBE’s challenges and the transformations in motion at the company today.

Q: Tell us about your background before you joined QBE as COO at the end of 2012.

Harnett: I basically was born and raised professionally at Citi. I worked with the firm for a little bit more than 30 years. In the course of that, I worked both domestically and internationally. I ran businesses. I was always just involved in the change management of one version or another.

I moved back from a stint in Europe at the very end of 2007 just so I could have
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a front row seat for the financial services crisis. I arrived in December, and things really started to heat up in March of '08. I was involved in a lot of restructuring and re-engineering in the consumer bank at that point.

I started talking to QBE in the middle of 2012, and what fascinated me about the opportunity is the history of the firm. It's been built based on a series of acquisitions, and we haven't yet integrated the way you would in financial services.

Many of the businesses were allowed to run completely independently. So there was a lot of inefficiency as a result of that.

Q: You've said that your responsibilities include overseeing claims, legal, IT and the transformation initiatives. But tell us what your typical day is like.

Harnett: I spend a lot of time in meetings—[ranging] from the strategic, very high-level meetings way down into the weeds. At the leadership-level meetings, we're setting the strategy of the firm. Then, also, because of the transformational activity, we have a series of work streams.

It's a lot of oversight—how do I facilitate the success of the rest of the people in the organization for the initiatives that they are undertaking?

I do a lot of project reviews. I do a lot of skip-level, one-on-one type of meetings, where I'm trying to get the pulse of the organization. And then I try to interact with my colleagues in other geographies as well.

[Also], the regulatory aspects of the [COO] role should not be underestimated. In the era of corporate governance, the chief operating officer, chief risk officer and chief financial officer all play important roles in making sure we're onside with the regulators and the governance structures that we have in place.

Here, the legal group that reports to me deals with the NAIC insurance exams, tracking outstanding corrective actions to

“Never underestimate how much work change takes. Alignment of the leadership behind the change is vital.”

Sue Harnett,
Chief Operating
Officer, QBE



make sure they are brought to a successful conclusion.

We support all the board activities in terms of preparation of materials, minuting the meetings, etc. A good board is as effective as the material presented to them.

Q: Let's talk more about the transformation that's going on at QBE. Throughout the year, we've heard QBE CEO John Neal and QBE North America CEO Dave Duclos talk about an "operational transformation." What does that refer to? What services are shared? What is being outsourced? How were the operations structured, and how are they changing?

Harnett: The organization was [previously] structured to support the various business lines. So we would have a finance organization that supported the program business or [one that supported] the property/casualty business, etc. Same thing with claims. We were very much focused on aligning against the business.

Any shared-service function has to support the needs of the business very definitely. But you need to combine like

things in order to get efficiency. That's essentially a lot of what we're doing.

The other thing is admitting where you'll never be as good as a third party—assessing the skills of the organization, the capabilities of the organization, and then saying, “How does that match versus my strongest competitor? And is there a third party that can provide the same service for me? Can I do offshoring?”

QBE has a facility in Manila. So can we use our own affiliate to help get a better cost dynamic?

All of those levers are considered, and then you have to look at the complexity of the implementation as well.

Q: What functions have you transferred to the Manila organization, which opened at the beginning of this year, or to true outside third parties?

Harnett: We publicly announced that we're partnering with Sedgwick for some of our claims

activity. That was done Oct. 1 for low-value, high-frequency claims.

We're partnering with Accenture on application development and maintenance. And we are partnering with mPhasiS for quality-assurance testing.

Q: What is application development and maintenance?

Harnett: It's for your technology. When you run a series of systems, you always have major projects. Accenture would do the work; QBE would direct their activity. They're able to bring to bear resources from around the globe. They have very strong disciplines on project management and execution.

Quality-assurance testing is [also] technology related. Before I put a system into production or it changes into production, I have to test it to make sure that it works effectively.

Q: Why did you think those three areas were better served by outside providers?

Harnett: The answer is three different

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answers, depending on the function.

In the case of Sedgwick, it's a scale player in claims processing. It has better technology, better cost per claim—better, better, better.

In the case of application development and maintenance, Accenture has partnered with two other regions within QBE to do the same thing. And we felt that it was an upgrade in our capabilities that we were gaining.

In the case of quality assurance, we just didn't do it very well. A third party with the reputation of mPhasiS can do a much better job at that. I could build it myself, but it would take a lot of time and energy. This way, I can just go to a third party and get the benefits in a relatively short time.

Q: You mentioned earlier that your role started out with the oversight of the changes in claims and IT but that there were other operation transformations going on throughout the company. What else are you looking at?

Harnett: We're looking at just the core operations for underwriting, policy issuance, agent support. We're looking at our lender-placed business in terms of how they manage their processes. We've looked at how we procure various services—how we spend our own money, basically.

For human resources, we have a call center that answers questions from employees on benefits and their paychecks. That is now housed in our facility in Manila.

Q: So that's a recent change in the human resources area. Are any of the other areas you're reviewing ripe for change? Do you foresee those functions being handled in Manila or by a third-party vendor?

Harnett: It's definitely within the realm of possibility.

When we do a transformation exercise here, we look at: What is the business model? How does the business model conform with our strategy? Are there adjustments that can be made? Are there things that can be shared across various

businesses that would make us more efficient and effective?

Then, how do you measure the progress that you're making? How do you measure the quality of the process that you have?

Q: What do you view as maybe the biggest accomplishment or the biggest change of your tenure so far? How do you measure the success of it?

Harnett: I do think one thing we've done very well is worked across the organization to make sure that the leaders are leading the change. So while I technically have reporting responsibility for the transformation, each one of the business leaders has to be involved and participating to make sure we're doing the right things.

Transformation [means] you used to do a process this way [and] now we're going to make these four changes. So it's a little bit disruptive, and we need the help of all the leaders in the organization to manage through the changes.

I think we've done those steps very well.

Q: What's been the most difficult decision so far?

Harnett: I do think the implementation of the claims model was difficult because it was a pretty radical approach.

Q: What's the biggest lesson learned as you're going through the changes?

Harnett: Never underestimate how much work change takes. The other thing is that the importance of alignment of the leadership behind the change is vital.

Q: During your tenure, the CEO in North America has changed. Mr. Duclos wasn't the CEO that was onboard in the company when you joined. How does that affect your role?

Harnett: Two different leadership styles but both understanding the importance of improving the efficiency of QBE in North America. In that regard, that was consistent.

Dave has been through this type of transformation before, where his predecessor had not been. He's very much of an advocate, which is very helpful.

Q: Are there lessons you learned at Citigroup that guide you in your role today?

Harnett: You have to maintain your sense of humor—absolutely. And you have to create good, solid working relationships across the organization and a good team to implement the change. [CM carriermag.com/pfags](http://cm.carriermag.com/pfags)

Who Leads the Operations?

Chief Operating Officer Sue Harnett

Company: QBE North America

Prior Experience Highlights:

30 Years with Citigroup:

- Head of Local Consumer Lending, which includes Citigroup's Global noncore consumer mortgage, commercial real estate, auto loan, student loan and credit card businesses.
- Head of Citigroup's Global Business Performance Management, where her focus was on driving efficiencies, best-practice sharing, improving productivity and customer satisfaction for businesses located in 40 countries and revenues of \$32 billion.
- Director of Retail Operations.
- COO for Retail Banking.
- President of Citigroup Canada.
- CEO of Citibank Germany, Citi's third-largest consumer business.

What's going on?

- An operational transformation is in progress at QBE around the world, including its North American operations. Some services are being shared; others are being outsourced. QBE opened a shared-services facility in Manila at the beginning of 2013.
- New leaders, including Harnett and Dave Duclos, who became CEO last year, are driving the changes in North America.

What she thinks:

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