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NEGOTIATION NOT WAR!

How to make relationships a win-win proposition

By Karen Rutherford and Gary Harris

Does this story sound familiar? A good client, who has just purchased a new business, has just left the office. But instead of being elated, broker Jane is thinking "now what?" Knowing that every company underwriter is swamped these days, how is she going to get coverage for a $10-million resort on a lake in an unprotected area?

David, her favourite company underwriter, is probably her best hope, especially since he had this risk a few years ago and loved it. Jane prepares a great detailed presentation with all the inspections and includes a discussion on the experience of the new owners. Everything is thoroughly covered. She faxes the material and diaries it to call David in two days. As well, she sends it off to four other companies that may consider the account.

The time comes for the follow-up. While David and Jane are good working buddies, he says once again that his hands are tied. His company has a set policy on what risks it can accept, under what conditions and which classes. There is no risk underwriting – it is simply class underwriting. There is no flexibility and there are no negotiations.

Frustrated with this call as she is with almost every call in the last two years, Jane presses David further: Will his company take any part of this risk? After checking with his manager, he is allowed to take up to 10 per cent because it is a class that is acceptable right now.
After more calls, Jane ends up getting the few markets she could find that would even look at the risk to subscribe at 5 per cent and 10 per cent per insurer and then ends up having to go the overseas London market to fill in capacity.

After trying to explain what has happened, it's clear that the client just doesn't understand the situation. Letters have gone out to all commercial clients about the market in general, capacity restrictions and current trends on price. Nevertheless, on this resort account, once it was all placed, the premium is more than 300 per cent higher than it was three years ago when Jane placed the business for a previous owner.

The resort industry has been hard hit by the SARS scare and the client now faces a tremendous increase in premiums to be paid with severely reduced revenues. He has been around a few years and remembers the premium jumps back in the mid eighties as well. Jane has to deal with inevitable questions about the wild swings in rates.

The insurance industry is nothing if not a relationship business and sadly the relationships are often under strain. In a soft market, brokers often think they are wielding the big stick and bully and threaten their underwriters. Underwriters clench their teeth and mark time until they can get even.

When a hard market arrives, the underwriters, who can be credited with great memories, finally have the opportunity to even the score.

Everyone agrees this is the hardest market anyone can remember. Capacity has been so radically reduced that insurers are simply picking and choosing what they want and there simply is no apparent understanding of client needs. Just a few years ago, insurers were bending over backwards to entice business. Now it appears that they are treating clients and brokers like they were the enemy or criminals.

Why is there no middle ground? Our industry struggles through this cycle every few years. The companies and the brokers talk about a partnership but in fact there is no feeling of partnering, no discussion and mutual understanding of others' needs now and in the longer term. It is no wonder clients are baffled by all of this.

Brokers realize that insurers are trapped by limitations placed on them by the reinsurance market, the restrictions on available surplus for premium writings, shareholder returns and the money market. However, there still has to be a better way of communicating and discussing our problems. What about using a tried and true method of true negotiating as part of a new communication strategy between the companies, brokers and clients? Consider "principled negotiation," a widely recognized model seeks four objectives: Good long term relationships; wise agreements; lasting agreements, and a win-win approach.

It is important to note that this model of negotiations is formalized compared with many other approaches to negotiating where the individual may use several skills but never achieve the level of agreement possible with principled negotiation.

A better way

The principled negotiation model encourages parties to recognize the importance of long-term, mutually satisfying relationships. It focuses on the bigger picture and doesn't make every single submission a do-or-die scenario. We are sure many underwriters would appreciate a better sense of perspective from their brokers instead of high drama and hysterics on every account that gets turned down. Brokers embracing this theory would remember that tomorrow is another day, another opportunity, and the importance of being able to call an underwriter who is happy to hear from you is better than underwriters who are rolling their eyes and sighing!

The next key objective is wise agreements wherein both parties can live with the decisions made. You will know instantly whether or not you are achieving this if an agreement made between a broker and underwriter is honored. If you hang up the phone and change your mind or call the manager or president of the company, then you have been unsuccessful in negotiating a wise agreement. Just think how much time and frustration could be avoided if you and your partners were better able to arrive at wise agreements.

The next objective is a lasting agreement where success means that whatever you and your business partners have arranged ends up enduring. Underwriters, who think they are effective, just need to look at how many times a supervisor or manager has changed your ruling. Brokers will recognize their success here if they rarely need to appeal to a higher authority.

The last phase of testing your negotiation skills is working in a win-win scenario. Many maintain that in the insurance industry there is no such thing as win-win. We certainly subscribed to that theory when we were brokers but older and wiser now, we see the results of skilled "principled-negotiators" working in highly emotional and negative situations and believe it is possible to seek a win-win outcome most of the time.

This model of negotiation is taught in five steps and negotiators must learn more than 50 skills and techniques to meet different challenges in a wide variety of situations. How many of you have a proven technique to move someone off a firm position he has taken? There are several powerful skills each of us can learn to integrate into our communication process if we undertake to become principled-negotiators.

Effecting change

So the question is why doesn't the insurance industry embrace tried and proven methods to improve working relationships? Why do we year after year continue to say and do incredibly dumb things for the public to judge us on? Why do claims people think they can treat the majority of claimants with disdain and dislike and not have it affect how many people will run to a lawyer for help?

Well, traditional industries don't change easily. Humans have long memories that hold onto perceived injustices and learning new skills takes time and practice. Those in the trenches haven't the time or inclination to stop and consider novel ideas. Those in the position to think proactively are beginning the process and, in time, we should see the results in the nature of the relationships between brokers and underwriters.

For leaders it is important to understand there are benefits beyond just the resolution of a single problem, such as: Reducing stress in employees; improving customer service; cutting the number of complaints received; scaling back the number of files that need more money or need legal intervention, and building skills for employees who will be advancing in their responsibilities.

Outside authorities such as Pepperdine University, Harvard Business School and now in Canada the various justice departments are adopting and training judges and lawyers in this principled-negotiator methodology. One can only hope that more and more insurance companies and brokers will follow suit.

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