



RECAP

#LWGS2018 BY THE NUMBERS

320

TOTAL
ATTENDEES

192

JOINT WORKING
GROUP
PARTICIPANTS

233

LEGISLATIVE
SUMMIT
PARTICIPANTS

98

NUMBER OF
HILL VISITS

90

NEW/FIRST-TIME
ATTENDEES

EXECUTIVE SUMMARY

More than 300 executives and operational heads of Council member firms gathered in Washington for the 2018 Legislative & Working Groups Summit. The Working Groups Summit provided the opportunity for individual working groups to discuss topics of interest and participate in a collaborative session bringing together all groups to tackle an industry-wide initiative: improving the customer experience. The Legislative Summit delivered a variety of perspectives from Congressional representatives and included an afternoon lobbying on Capitol Hill. The Council of Employee Benefits Executives (CEBE) Advisory Committee also met during the Summit to discuss critical topics impacting the employee benefits sector.



The joint collaborative session focused on the customer journey to identify innovation opportunities through the lens of the customer experience. Facilitated by Wharton Executive Education, it was underscored that the customer journey is everyone's job, with each employee sharing the responsibility for the overall journey. McKinsey tells us that best-in-class companies optimize the overall customer journey, not just touchpoints. By combining our working groups, each bringing to the table their own functional expertise, we sought to break through traditional barriers and move away from silo thinking to look at the journey in a more holistic way.

Our presence on Capitol Hill this year was timely as the House and Senate were just a day away from voting on must-pass legislation to fund the government and keep vital programs like the National Flood Insurance Plan authorized. We heard from a variety of speakers from both sides of the aisle and both

sides of chamber, which gave everyone an excellent overview of the current political climate. Our meetings gave us the opportunity to drive home the importance of the tax exclusion for employee benefits and keeping the NFIP authorized, with no lapses. We were able to successfully advocate for the stabilization of the individual healthcare marketplace through the use of reinsurance pools, a more open 1332 waiver process and the ACA's Cost Share Reduction payments.



THE BUZZ

Healthcare Costs: In the last year, The Council has been urging policymakers to focus on the real cost drivers for healthcare and adopt policies that solve, rather than mask, price-related challenges. In this light, pharmacy as a key driver of increased healthcare costs was a key discussion area during the 2018 kickoff meeting of the Council of Employee Benefits Executives (CEBE) and throughout the Summit. It's fair to surmise drug pricing is going to be a centerpiece issue in the midterms given the signals coming from policymakers in Washington. Copay coupons have popped as the issue du jour as Members of Congress dig into the coming changes in how insurers plan to process drug companies' discount coupons — and how it could roil the debate over drug prices. Additionally, watch HHS Secretary Azar's early moves; his signals are an indicator of the extent to which the administration has appetite to really tackle drug pricing and distribution in the near term.

Putting the Customer First: Members continue to evolve business models with an eye on the customer journey, particularly with how consumer needs and expectations are being shaped by external forces and other industries. Brokers are

evaluating technology offerings, reviewing internal processes, investing in top talent and integrating teams for a more holistic and impactful customer experience to strengthen value propositions.

Talent: A greater sense of urgency as well as anxiety was voiced over the impending talent gap. Senior leader engagement is mission-critical in finding ways to tap into soon-to-be retirees' institutional knowledge to assist with mentoring new thinkers and new talent. There is an emphasis on retaining talent in the 3-7 year range as this is a pivotal time for employees, especially younger generations, to feel empowered and see continued growth opportunities.

Diversity & Inclusion: Successfully changing the talent pool in the industry to reflect the global community has been an established pain point that brokers have been actively discussing in recent years. The dialogue has expanded to a desire and need for accountability, and directive on how to do a better job.

Tax Issues: There continues to be a lack of clarity as to whether or not the pass-through tax treatment under the Tax Cut & Jobs Act will be fully available to insurance agencies and brokerage firms. This remains a top priority for two-thirds



of Council firms that are structured as LLC or S-corporations. We are working diligently—and have had some encouraging meetings—with congressional leaders and the Treasury department to achieve clarity consistent with our strong legal views that insurance firms will indeed be able to avail themselves. Treasury will be issuing guidance and implementation of this in the near future and we are cautiously optimistic.

OUR DAY ON CAPITOL HILL

The Legislative Summit is our most visible and impactful day in Washington each year. More than 200 attendees made their way to Capitol Hill forming a uniform voice to educate lawmakers on our most pressing issues. They participated in about 100 meetings with senators, representatives and legislative staff. The power of our collective voice is critical to advancing our advocacy efforts.



KEY ISSUES

- Preserve Employer-Sponsored Health Insurance**
[▶ Download the lobbying sheet](#)
- Stabilize the Individual Marketplace**
[▶ Download the lobbying sheet](#)
- Adopt Policies that Address the Actual Price of Health Services**
[▶ Download the lobbying sheet](#)
- Clarify that Non-Financial Insurance Premiums are Exempt from FATCA**
[▶ Download the lobbying sheet](#)
- Reauthorize the National Flood Insurance Program**
[▶ Download the lobbying sheet](#)
- Tax Treatment for Insurance Brokerage Pass-Through Entities**
[▶ Download the lobbying sheet](#)



Sen. Cory Booker of New Jersey

2018 SPEAKERS

Sen. Cory Booker, D-N.J., [@SenBooker](#)
Sen. Bob Corker, R-Tenn., [@SenBobCorker](#)
Sen. Doug Jones, D-Ala., [@SenDougJones](#)
Rep. Josh Gottheimer, D-N.J., [@RepJoshG](#)
Rep. Karen Handel, R-Ga., [@RepKHandel](#)
Rep. Trey Hollingsworth, R-Ind., [@RepTrey](#)
Rep. Tom MacArthur, R-N.J., [@RepTomMacArthur](#)
Rep. Patrick McHenry, R-N.C., [@PatrickMcHenry](#)
Rep. Richard Neal, D-Mass., [@RepRichardNeal](#)
Rep. Tom Reed, R-N.Y., [@RepTomReed](#)

WORKING GROUP COLLABORATION

INNOVATING THROUGH THE CUSTOMER LENS: CREATING A ROADMAP FOR A BETTER CUSTOMER EXPERIENCE

IN PARTNERSHIP WITH WHARTON EXECUTIVE EDUCATION



Presenter: James Thompson,
PhD, Co-Founder & Director,
Wharton Social Entrepreneurship Program

Contact: jamesth@wharton.upenn.edu

[Click here for a PDF of Thompson's slides](#)

It's been said that the customer experience is the next competitive battleground. According to Forbes, by 2020 customer experience will overtake price as the key brand differentiator. Today, 89 percent of

companies plan to compete primarily based on customer experience. Future growth will come from focusing innovation on customer-value creation. It's time to learn and react or watch the value shift to other parts of the economy.

Increasingly, companies are coming to understand that delivering an excellent relationship and experience to their customers is vital to their ongoing success. Harvard Business Review reports that when we get it right, the rewards are enhanced customer satisfaction, reduced churn, increased revenue and greater employee satisfaction. But when we get it wrong, it can be costly – 82 percent of respondents in an independent study stopped doing business with an organization due to a poor customer experience.

TAKEAWAYS

- All growth—money, assets, time, attention—requires investment. When growth stops, decay starts.
- We live in an age of hyper-competition. The investment choices you make today will determine what your organization becomes tomorrow. Conversely, the investment choices you do not make today will also determine what your organization becomes tomorrow.
- Three Pillars: Customers, Competences, Capital
 - Who are our customers? Who do we want them to be, and who do we not?
 - What competences must we have to win with those customers?
 - What capital will be required to do that?
- Keeping existing customers happy generates revenue and allows for future investment.

“There will be firms in the brokerage space in 12 months that did not exist today. And this did not exist five years ago.”

- Entrepreneurs don't over-analyze. Speed matters.
- Two Principles of Entrepreneurial Thinking:
 1. Detailed understanding of context in which products are used (and could be).
 2. Develop and deploy firm's capabilities to deliver differentiated offerings, which competitors struggle to match.



“The opportunity for differentiation exists everywhere – from the initial customer contact to final delivery.”

CHALLENGE YOURSELF

- What will your business look like 3, 5 or 10 years from now?
- What could you do differently to improve customer experience and improve your performance?

BRING THIS EXERCISE BACK TO YOUR FIRM AND APPLY IT

1. AWARENESS OF NEED

- a. How do customers become aware they have a need?
- b. Can you increase awareness?
- c. Shorten the time from perception to action?
- d. What really keeps your customers up at night?

2. SEARCH FOR SOLUTION

- a. What are alternatives to yours?
- b. How can you make sure you are top-of-mind when customers are searching?
- c. Can you make it easier or more convenient to find you?

3. SELECTION OF PROVIDER

- a. What gets in the way of picking you?
- b. Who influences the decision-maker?
- c. Who actually benefits from your service?
- d. Can selection be faster, easier, taken for granted?

4. SERVICE DELIVERY

- a. Who delivers the service/receives the service?
- b. Might you change who is involved?
- c. When is the service delivered?
- d. Can you change the timing?
- e. Can it be made more convenient?

5. HANDLING COMPLAINTS

- a. Who hears about complaints?
- b. Who generates them?
- c. Does your senior management get to know the issues?
- d. Can you turn a complaint into an opportunity?

“The courage to prune is not optional.”

“The most beautiful sound on earth: Cha-Ching.”

FINAL TAKEAWAYS

- When you start losing customers, it's too late. It means you were not listening.
- The job of leadership is to help employees understand what really matters to the customer and how their role impacts the exchange.
- The courage to prune is not optional. Where do you strategically prune your firm to grow stronger?

Contact The Council's Elizabeth McDaid at elizabeth.mcdaid@ciab.com for more information about The Council's Leadership Academy programs, and get your team involved.

PREVAILING THEMES FROM OUR WORKING GROUPS

CIO WORKING GROUP



Nick Lozano
Director, Technology
nick.lozano@ciab.com

PREVAILING THEME

Every day new insurtech companies are creating a better customer experience and incorporating emerging technologies into key business processes/areas. The brokerage of today is shifting rapidly with technology paving the way. It's vital that strategic IT leaders stay abreast of technology advancements

shaping industries—ours and others—since that is creating the experience consumers expect. This intel should be used to contribute to firms' overall innovation efforts.

The nature of the IT leader is also changing due to insurtech. IT leaders must balance various demands from managing internal functions—such as cyber security, networks and server management—to leading or contributing to brokers' innovation strategies, while at the same time expanding soft skills such as emotional intelligence and leadership development.

[Click here for the complete CIO Working Group recap.](#)



CLAIMS & RISK MANAGEMENT WORKING GROUP



Rob Boyce
Associate, Market Intelligence & Insights
robert.boyce@ciab.com

PREVAILING THEMES

- The cost of cyber risk is quantified by loss magnitude and breach frequency. Loss magnitude is calculated by the amount of insurable losses to first party and third party, such as expenses for business interruption, forensic, notification, fines, or legal defense. Business interruption is identified as the biggest cost of a typical breach, accounting for 49 percent of cyber event expense.

- Commercial auto continues to be an industry-wide concern, as poor loss ratios continue to drive premium pricing. An increase in costs and number of claims are primarily due to distracted driving, increasingly expensive repair parts for vehicles, more drivers on the road and a significant increase in vehicle miles driven.
- Data from wearable devices have significant implications particularly with workers' compensation. Data from wearables can identify hazardous activities that can be modified before accidents occur, detect fraud in regards to accidents and evaluate employee performance.

[Click here for the complete Claims & Risk Management Working Group recap.](#)

HR WORKING GROUP



Elizabeth McDaid
SVP, Leadership & Management Resources
elizabeth.mcdaid@ciab.com

PREVAILING THEME

There is a heightened sense of urgency for recruitment of talent and succession planning as thousands will be retiring in the next few years. Most firms are hiring large numbers of producers – primarily from other sales industries or off college campuses and using mentors to help with training. Diversity initiatives are a priority focus area – majority of firms are not sure how to get started.

[Click here for the complete HR Working Group recap.](#)

LEGAL COUNSEL WORKING GROUP



John Fielding
General Counsel
john.fielding@ciab.com

PREVAILING THEME

There's a lot of talk about regulatory changes—the ACA, FATCA, NFIP/flood, reducing regulations, creating a more industry friendly Washington. But there continues to be a great deal of uncertainty and an inability on the part of Congress and the Administration to cross the finish line. There will be continued communication with members about legislative and regulatory changes, seeking input as needed.

[Click here for the complete Legal Counsel Working Group recap.](#)



MARKETING & COMMUNICATIONS WORKING GROUP



Susan Rushford
SVP, Marketing & Communications
susan.rushford@ciab.com

PREVAILING THEMES

- Create a holistic strategy with HR from the start to recruit and retain tomorrow's talent (whether they start out of college or are hired for their expertise and skill set in a specific area). It's important to have a coordinated effort vs. handing off task oriented assignments and working in silos.
- Rethink your firm's recruitment approach from the perspective of the prospective employee—what is important to them and

how can you change your pitch to tap into what attracts new talent (is it work flexibility, creating a sense of community at work, CSR-minded, using tech platforms in a strategic way, etc.?)

- Branding "brokerage and insurance" is not just your firm's challenge; it's a challenge for the entire industry. We have to collectively rally around reframing what we do to appeal to prospective talent and even to our own colleagues (so that we all speak with a unified voice). If we approach this challenge as an industry effort, our shared voice gets stronger and potentially have more impact.

[Click here for the complete Marketing & Communications Working Group recap.](#)

THE COUNCIL OF EMPLOYEE BENEFITS EXECUTIVES (CEBE)



Cheryl Matochik
SVP, Strategic Resources & Initiatives
cheryl.matochik@ciab.com



Jenn Urso
VP, Market Intelligence & Insights
jennifer.urso@ciab.com

The Council of Employee Benefits Executives (CEBE) Advisory Committee meets twice a year to advise Council leadership on opportunities and challenges faced by the membership's employee benefits businesses. The February discussion centered around The Council's core messages for Capitol Hill that reflect top priorities: preserve the tax treatment for employer-sponsored insurance; stabilize the individual marketplace; and adopt policies that address the actual price of health services.

To address a key piece of the escalating cost of healthcare, Ronny Gal, Senior Analyst for Bernstein Sanford, gave a presentation on pharmacy trends and costs. Since drug costs, particularly specialty drugs, significantly contribute to employers' health spend, it's critical for the advisory committee and The Council to understand the complex, multi-layered R&D, distribution and regulatory dynamics that are causing and enabling the uncontrolled drug cost spiral we are witnessing in the market.

Other regulatory and legislative issues were discussed such as public options/single payer proposals, EEOC wellness rules, employer reporting requirements, proposed rule for Association Health Plans and pricing transparency

NEXT STEPS

Registration is now open for The Council's Employee Benefits Leadership Forum (EBLF), May 29-June 1 in Colorado Springs.

[Click here to register.](#)



2018 COUNCILPAC EFFORTS UNDERWAY



Brittany Thune Lindberg
Director, CouncilPAC
brittany.lindberg@ciab.com

Educating Members of Congress on key industry issues is an essential part of our advocacy team's job. Contributions to CouncilPAC allow The Council to support candidates who champion our causes, increase opportunities for us to be in front of decision makers on committees of jurisdiction, and allow us to advance our agenda.

CouncilPAC raised a record \$1.5 million in 2017 from 2,850 individuals and 108 firms, elevating it to the position of top political action committee in the insurance industry. It also marked the sixth straight year CouncilPAC surpassed its fundraising number from the year prior – culminating in a **128 percent year-over-year increase in donations and a 20 percent increase in firm participation since 2012.** Because of the strength of CouncilPAC, The Council's government affairs team has had great opportunities to support lawmakers and candidates who are proven allies on our issues, and we look forward to solidifying these relationships this election year.

CouncilPAC's three-year goal is to secure 100 percent firm participation.



PAC20

CouncilPAC's continued success has been largely due to the extraordinary commitment and response from 38 firms – which comprised 88 percent of total donations in 2017. We are grateful for the significant investment these firms are making and would like to see this level of investment from a broader representation of our membership. We believe this is necessary for the future health and sustainability of CouncilPAC.

In order to achieve this, we have embarked on a three year goal of achieving 100 percent participation across our membership.

The objective, called PAC20, is to maintain the position of largest insurance PAC in 2020 by having the most influential, best-financed lobbying team powered by the strongest membership engagement in the industry. We hope your firm will be a part of this critical initiative.

[Click here for the complete CouncilPAC recap.](#)

QUESTIONS ABOUT COUNCILPAC?

Contact Brittany Thune Lindberg at brittany.lindberg@ciab.com for more information.



SAVE THE DATE

Save the date for next year's Legislative & Working Groups Summit, **Monday, Feb. 11 – Thursday, Feb. 14, 2019**, in Washington, D.C. Also, check out our [2018 meetings and events calendar](#) and get your team involved.