



N. 43261
R. 41900

AEAI/RIMS International Conference
October 15-18, 1989
Monte - Carlo

Please respond to

MONDAY, OCTOBER 16, 1989

Keynote Address

FACING THE FUTURE

P. R. HACKENBURG

AEAI

Omer Leroy
UNILEVER
Conference Co-Chairman

Donación de AGERS al Centro de Documentación de FUNDACIÓN MAPFRE



Risk and
Insurance
Management
Society, Inc.
gh Loader
etra Pak
.....ce Co-Chairman

Good morning.

Once again, it is an honor to address this Risk Management Forum sponsored by AEAI and RIMS. When last I spoke to you in this segment of your program, I represented the Risk and Insurance Management Society, Inc. as President. That was just 4 years ago.

Today I come before you as an industry observer, having been asked by Mr. Loader and Mr. Leroy to comment on the challenges and opportunities that we face as we move toward the next century. Simply put, are we as Risk Managers prepared for the future?

Let me hasten to suggest that I view all of us in this room as Risk Management professionals. We may consider our prime avocation as being Risk Manager or underwriter, broker, agent or consultant. But whatever the role, our very attendance here evidences that we view ourselves and our career endeavors as being intimately involved in managing, controlling, or eliminating risks, thereby promoting the well-being and economic progress of our organization specifically, and of society as a whole.

But, have we given adequate thought to those events now occurring which will shape our lives and our organization's destiny in the

next century? Do we dare, through our timidity, to anticipate events and courses of human behavior which will alter even the simplest tasks we today consider routine and of second nature?

President John Fitzgerald Kennedy of the United States once said: "Change is the law of life. And those who look only to the past or the present are certain to miss the future."

For some of us here today, this morning's session marks the beginning of the fifth biennial AEAI and RIMS conference which we have attended. Ten years have seen enormous change and progress.

This past decade has seen the practice of Risk Management as a discipline spread from North America and Europe to the world. No longer are Risk Managers struggling to find an identity. Clearly, Risk Management is no longer considered a subset of principles guided by the insurance mechanism. Rather it has become a vital management process integral to the success of the organization employing its concepts.

A decade ago our agenda reflected the concerns of an emerging force. How to build a Risk Management Department and budget, how to compensate service providers, how and why to start and operate captive insurance companies, how to implement an HPR property insurance program, were all topics at the 1981 meeting.

As organizations, AEAI and RIMS were just beginning to gain influence and power. Both organizations generally operated in their own geographic arenas. The International Federation (IFRIMA) was scarcely a gleam in anyone's eyes.

Ten years ago many of us were not even involved in the Practice of Risk Management. Some of us were not even in the work force.

For those individuals, the benchmarks of progress are far more obscure.

In preparing my remarks for today, I revisited some of the comments I made to you in October of 1985. At that time, I addressed this forum on the topic of Risk Management in the 1990's. To paraphrase that entire address would be to suggest that the intervening four years have made my 1985 comments "a thundering glimpse of the obvious."

To be sure, the points which were raised were important. Together we discussed such issues as:

- Globalization of the World Economies through the interdependency of our political and economic institutions;
- Rapidity and degree of change;
- Instantaneous communication;
- The explosion of science and information and the ability to assimilate and process this new information;
- The breakdown of confidence in our geopolitical systems;
- The move toward Risk Adversity;
- The changing nature of business brought on by mergers and acquisitions, the convergence of our financial institutions, and the re-emergence of the entrepreneurial approach to business.

As we look today toward the events that surround us in our business world, our economic world, our political world, and even into the world of our families and personal lives, we see some of the events discussed just four years ago having enormous impact. Certainly those issues amount to the catalytic ingredients for change of even greater proportions than previously conceived.

One needs only to survey the topics on our agenda this week to

see these forces of change at work.

We will concentrate, as we certainly must, on the events put in motion by the 1957 Treaty of Rome, or "1992", as it has come to be known throughout the world. We will learn that, indeed, for many of us in the Risk Management world and its supporting industry of insurance, that July of 1990 may be an important precursor for what happens in 1992.

We will touch on the issues of environment and the protection of this "life ship" we call Mother Earth.

We will try again, as we always must, to better define the roles that Risk Managers, Brokers, Consultants, and Insurers play in this important managerial process called Risk Management. We will pay particular attention to the influence that 1992 will have on the interworkings and influence of these players. It is my wager that by the end of this conference we will conclude that it is the intermediary that has the most ground to cover in preparation for 1992, since the Risk Managers and the insurers are already globalized or trans-national in scope, while the intermediaries have to a greater or lesser extent been provincial in organization, if not in perspective.

And we will gather as industry-specific groups to discuss issues of particular sensitivity to our special interests. We will recognize that perhaps while each has needs that are relevant by degrees only to certain groups, the efforts to understand unique risk financ-

ing alternatives, or advanced risk control programs are universal to all who attend this forum.

It is the process of learning through our work, our trade, and our educational endeavors which makes us unique and elevates man over all of God's other creatures.

"Reading maketh a full man; conference a ready man; and writing an exact man." Thus wrote Francis Bacon of the three elements of learning.

Two of the handmaidens of learning -- science and technology -- have brought the world into a new era. It is the era of the "employed knowledge," where brain has replaced brawn in all but the most underdeveloped nations of the world.

Man's mind and his works have literally remade the world, and now he probes near the limits of limitless space -- both outer space and inner space, as Voyager II and DNA research both testify.

Yet despite our successes we have come to a time -- once again -- of deep foreboding.

Mankind is on an historic economic, technological, and intellectual march that is changing the world. The march started in Europe and America, the homes of social, political and economic freedom for the past 200 years. Is it any wonder that this society has accomplished so much?

Look to the measure of individual freedom and responsibility -- and you will find the source of ambition, competition, hard work, and achievement. The change is a global phenomenon now, as nation after nation accepts more and more the concepts of freedom in self-

government and in the marketplace.

The changes are bringing unprecedented economic progress -- and yet much social and political pain. Thus our times -- times of change and progress -- are also times of foreboding.

Man has always feared the unknown; today he seems to have an obsessive fear of the known, the apparent, the present.

It is you and I -- the practitioners of the Risk Management discipline -- who have a major responsibility to help allay these fears. Otherwise we will never cross those boundaries of natural science that we must; never plumb the depths of intuition as we are doing; never stretch the levels of logic; and never again witness the triumph of the educated mind.

If it is true, as the old saying goes, that "among the blind a one-eyed man is king", then consider the new heights that the modern Risk Manager must reach in order to truly "lead the learned," especially in the new world of global economies, global technology, and global culture.

It is, I would suggest, the obligation and promise of every Risk Manager to understand fully these changes, both economic and cultural, that will allow us to succeed in the future.

Proof of this obligation rests in the events screaming across the front pages of our daily newspapers:

- Perestroika and the new trials of glasnost;
- The never-ceasing struggle for self-determination in Poland, the Baltic States, the Middle East, and even China.
- And, of course, 1992...

What precisely do we Risk Managers face as the 20th century turns to the 21st century? I frankly find one mind too insignificant to comprehend all events, but let me suggest a few without elaborating..

- Manned exploration of the solar system and the resultant outpouring of scientific knowledge;
- Greatly expanded artificial knowledge and the full utilization of humanoid robotics;
- The full utilization of alternative energy resources and the invention of other modes of energy utilization not yet known;
- An educational system which will be increasingly complex and demanding of excellence;
- A cure for many of today's known diseases;
- A remarkably cleansed environment through concentrated efforts to reverse the damage caused by man in the last century;
- and so on...

If all of this sounds a bit naive and too much like wishful thinking, let me also suggest that we will not conquer:

- man's petty jealousies or prejudices;
- natural disasters,
- or war ...

Where, then, must Risk Managers and Risk Management principles be directed? Let me again touch only on highlights.

- Risk Managers must be educated not in insurance, or the traditional concepts of static risk financing, but in general business principles and practices focusing on the cultural differences in global communities.
- We must focus on asset management, not risk management, knowing that our greatest assets are the minds and hearts of our people and that ultimately, people are the marketplace.
- We must demand that those who serve us (brokers, agents, consultants, underwriters and other experts), are not needed as accessibility to an insurance policy but must provide accessibility to problem solving ideas. There must be a value-added relationship. They must learn our business and be willing first and last to serve that business. In so doing they will act with enlightened self-interest.
- The Risk Manager must become a Risk Leader instead of a Risk Manager. A leader who teaches others how prudent risk can be accepted; a leader who can show the way to unleash the power and imagination of the human mind; a leader who will, through the fine arts of communication and persuasion, blaze a trail for others to follow, versus

following the path of those who went before.

- Again, as at the first, it is the general understanding of business that will be more important than insurance knowledge. It will be that businessman's mentality that will comprehend the cultural nuances that will be necessary to succeed on a global front.

How might we accomplish these transitional steps? Let me suggest some simple guides toward success:

1. Have a dream, a goal for success, or an ambition. Call it anything you want, but convince yourself that you can do it. Do not allow yourself to be persuaded to forsake that dream. Mark Twain said "Keep away from people who try to belittle your ambitions. Small people always do that, but the really great make you feel that you, too, can become great."

I would like to take just another moment to relate to you how important I believe this guide to success is for each of us.

The power of a dream is incredible. In time it can become a self-fulfilling prophecy. From man's dreams have come some of his greatest works. Dreams have been the inspiration and the foundation for success. A dream can be that source of power which makes possible the impossible.

Twenty-six years ago, a single man stood on the world stage and talked of his dreams. His words were simple, his message

as truth. As I read his words, you will understand the power of his dream.

"So I say to you, my friends, that even though we face the difficulties of today and tomorrow, I still have a dream. It is a dream deeply rooted in the American dream that one day this nation will rise up and live out the true meaning of its creed -- we hold these truths to be self-evident, that all men are created equal.

I have a dream that one day on the red hills of Georgia, sons of former slaves and sons of former slave-owners will be able to sit down together at the table of brotherhood.

I have a dream that one day, even the state of Mississippi, a state sweltering with the heat of injustice, sweltering with the heat of oppression, will be transformed into an oasis of freedom and justice.

I have a dream that my four little children will one day live in a nation where they will not be judged by the color of their skin but by content of their character. I have a dream today!

I have a dream that one day, down in Alabama, with its vicious racists, with its governor having his lips dripping with the words of interposition and nullification, that one day, right there in Alabama, little black boys and black girls will be able to join hands with little white boys and white girls as sisters and brothers. I have a dream today!

I have a dream that one day every valley shall be exalted,

every hill and mountain shall be made low, the rough places shall be made plain, and the crooked places shall be made straight and the glory of the Lord will be revealed and all flesh shall see it together.

This is our hope."

Mrs. Coretta King, the wife of Reverend Martin Luther King, Jr., once commented, "at that moment it seemed as if the Kingdom of God appeared. But it only lasted for a moment."

Did it last for only a moment? Dr. King and his dreams became the catalyst for enormous change -- change that continues to this day and will for decades. That work is far from complete, but the dreams of a man who, today, is not even with us will drive the effort forward.

2. Be firm in your stance and your beliefs, but not so firm that you end up discounting advice and opinions of others which may, at the end of the day, be the wise choice. Listening is a learned art which when practiced to perfection will be a great weapon of learning and success for the practitioner.
3. Leo Tolstoy said it best: "The vocation of every man and woman is to serve other people."
4. Don't do it right the first time. Do what Mike Bryant, the Risk Manager at Westinghouse Electric Corporation does. He tries to do the right thing right the first time. Mike believes that doing something well is important, but not if what is

being done well is the wrong solution. Mike wants to be sure that when he is attacking a problem he finds the right or best course of action. Then and only then does he concern himself with implementing that course of action correctly. In that manner he builds trust in those around him, and his ability to communicate successfully is magnified many times over.

5. Be persistent in your pursuit of educational excellence, both for yourself and your children. Question everything you hear. Do not be satisfied with old answers. Look for new theories and meaning, because we are at a new place in time. John W. Gardner suggested that "Much education today is monumentally ineffective. All too often we give young people cut flowers when we should be teaching them to grow their own plants." Innovation generally starts from the basics, or the seed if you will, not in the arrangement of the blossoms from someone else's plant.

6. Do not feel too strongly the urge to conform to standard. Many of the great achievements of mankind were accomplished by single individuals who chose to be different, or were perceived by their peers to be out of step with the mainstream. I have a colleague, Joe Tarbell, for whom I have enormous respect. He has on his office wall the following list of rules:
 - Never assume anyone knows what he is doing.
 - Never assume that logic has anything to do with a decision.
 - If it looks like it doesn't make sense, it may be because

it doesn't.

- When every other avenue of attack has been exhausted, read what it actually says.
- Just because it's printed don't assume it's right. If it's printed, a lawyer probably approved it.

A bit cynical -- perhaps -- but clearly if followed, the rules will force us to choose our own paths.

7. Guard and protect your ego. Your successes and accomplishments nurture your self-esteem and make you realize that as a person you are important and your contributions are worthwhile. But contain your pride, harness it and commit it to a private place. No one likes a braggart and one who brags is, in time, alone without support or help.
8. Tom Horton, the President of the American Management Association, recalled an old adage in a recent column he wrote for Management Review: One must be careful about one's wishes, for those wishes may come true. Stated another way; that which comes in life that is earned through hard work is often treasured and retained. That which may come easily or is given may have "strings attached," or is easily lost.
9. Do not avoid accountability. We will make mistakes and must accept the responsibility of those mistakes. If we do not want accountability we are abdicating our leadership position.
10. Choose for yourself, don't let others make choices for you. Freedom and independence of thought are the gristmill of success.

The above guides for success are simple to state but hard to follow.

I am sure that many of you could add others that may be of equal, if not greater importance, if only because they hold particular and personal meaning. But in reality, the guides are common sense and, at the core, point out that attention to detail and basics will serve all of us well.

I started these remarks with a brief quote by President Kennedy. I choose to close with his words. As a young President-elect, Kennedy addressed the Commonwealth of Massachusetts legislature on January 9, 1961, as follows:

"For of those to whom much is given, much is required. And when at some future date the high court of history sits in judgment on each one of us - recording whether in our brief span of service we fulfilled our responsibilities to the state - our success or failure, in whatever office we hold, will be measured by the answers to four questions:

First, were we truly men of courage - with the courage to stand up to one's enemies - and the courage to stand up, when necessary, to one's own associates - the courage to resist public pressure as well as private greed?

Secondly, were we truly men of judgment - with perceptive judgment of the future as well as the past - of our own mistakes as well as the mistakes of others - with enough wisdom to know what we did

not know, and enough candor to admit it?

Third, were we truly men of integrity - men who never ran out on either the principles in which we believed or the people who believed in us - men whom neither financial gain nor political ambition could ever divert from the fulfillment of our sacred trust?

Finally, were we truly men of dedication - with an honor mortgaged to no single individual or group, and compromised by no private obligation or aim, but devoted solely to serving the public good and the national interest?"

I believe all of us here today understand the implication of President Kennedy's words. His call to the highest standard of ethics and responsibility speak directly to our responsibilities as Risk Managers as we prepare for the future.