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WELCOME

Welcome to the spring 2023 edition of *Risk & Business Magazine.* Spectrum Insurance Group is pleased to provide this magazine as a valuable resource for your company. The purpose of the magazine is to bring relevant content to help your business succeed. Inside this edition, you'll find many great articles related to business insurance, employee benefits, safety/risk management, employment law, banking, financial management, and general business topics. We think you will find these articles informative and useful to the success of your business.

When Spectrum Insurance Group was started in 2007, one of the core values established was to provide value-added services to our customers. *Risk & Business Magazine* provides another outlet to help inform and educate not only our customers but all businesses located throughout the state of Wisconsin. What is good for all businesses in Wisconsin is good for Spectrum Insurance Group!

For 2023, property markets will remain hard with no softening in the foreseeable future, while in primary casualty lines, renewals remain largely flat except for challenged classes such as heavy auto-exposed and trucking. Workers' compensation rates continue to be the bright spot for buyers as rates went down on average 8% for 2023.

Property markets continue to be vexed by natural catastrophes, the combined effects of a major hurricane making US landfall in five out of the last six years, wildfires engulfing thousands of acres, unprecedented winter storms, and Midwest flooding. All have played a major role in hardening the insurance marketplace. Insurers are expected to offer less capacity and higher deductibles in an effort to manage their portfolio aggregates as well as to concentrate on profitability.

Reinsurance markets also saw challenging conditions, with capacity tightening across the board together with increases in rate, retention, and net retentions throughout program structures as well as more restrictive terms and conditions. Most program structures now look completely different than they have in previous years. See our reinsurance article (Page 7) to further understand why reinsurance affects commercial insurance buyers.

Now more than ever, you need an insurance professional who understands your business, helps you plan for unique risks, has access to many insurance companies, and advocates on your behalf. All of this can be achieved by working with an independent insurance agent who can tell your story to insurance carriers in a way that will best position your business come renewal time.

No matter what happens in 2023, businesses in Wisconsin have an innate ability to adapt to the challenges that they are confronted with. This makes Wisconsin an excellent state to do business in! +

Sincerely,

Darrel Zaleski

Darrel Zaleski, Owner
SPECTRUMINSGROUP.COM

2023
Commercial Insurance Outlook

A SHIFTING MARKET

Since 2019, the commercial insurance sector has been grappling with a hard marketplace—one that is particularly less friendly to insurance buyers. Such challenging conditions were brought on by a confluence of factors that led insurance companies to reevaluate their positions in the industry. After all, the increased frequency and severity of claims, growing social inflation issues, lasting complications created by the COVID-19 pandemic, evolving cyber threats, and worsening natural disasters have fundamentally reshaped the insurance market. As a result, hardened conditions have pressed on for multiple years, prompting limited capacity, stricter underwriting standards, and rising premiums across many lines of commercial coverage.

Like many other sectors of the economy, the insurance industry experienced further changes to both its market cycles and operating procedures in the last 12 months. Specifically, in contrast to recent years, hard market conditions somewhat started to ease. This stabilization became especially evident in the second half of 2022—highlighted by decelerated pricing and expanded capacity within several coverage segments. While this shift certainly represents signs of an improving insurance landscape, industry experts have asserted that ongoing headwinds facing certain lines of coverage (e.g., commercial property, auto, and cyber) have continued to generate hardened conditions overall, therefore limiting the likelihood of a soft market emerging in the near future.

What's more, businesses have had to contend with a host of new and existing challenges over the past year. In particular, 2022 marked the third year of the pandemic, which has remained a driving factor in various workplace adjustments and associated operational difficulties. Additionally, 2022 saw an acceleration of ongoing supply chain disruptions and labor shortages for businesses of all sizes and sectors. Further complicating matters, record-setting inflation trends, the growing possibility of a recession, and large-scale international events—namely, the Russia-Ukraine conflict—have only exacerbated commercial exposures. Altogether, these factors will likely continue to fuel an increase in claims and related costs, posing persistent coverage concerns.

With this in mind, industry experts anticipate that the commercial insurance space will remain challenging in 2023, although it may present more favorable conditions than it has in prior years for some insurance buyers. In any case, it's essential for businesses to take a proactive approach to bolster their risk management efforts and secure adequate coverage during this time. Especially amid an evolving risk
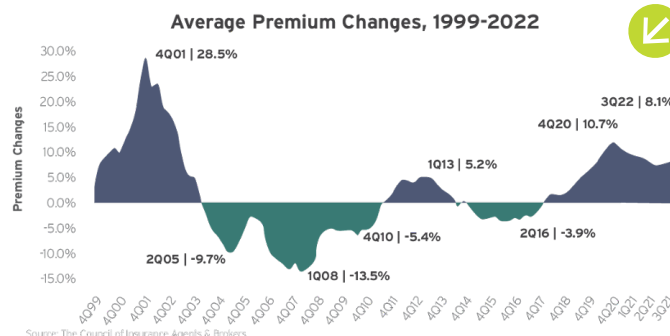
environment, businesses should focus on addressing the factors they can control.

THE INSURANCE MARKET CYCLE: HARD VS. SOFT MARKETS

The commercial insurance market is cyclical in nature, fluctuating between hard and soft markets. These cycles affect the availability, terms, and price of commercial insurance, so it's helpful to know what to expect in both a hard and soft insurance market.

A **soft market**, which is sometimes called a buyer's market, is characterized by stable or even lowering premiums, broader terms of coverage, increased capacity, higher available limits of liability, easier access to excess layers of liability, and competition among insurance carriers for new business. On the other hand, a **hard market**, sometimes called a seller's market, is characterized by increased premium costs for insureds, stricter underwriting criteria, less capacity, restricted terms of coverage, and less competition among insurance carriers for new business.

During a hard market, some businesses may receive conditional or nonrenewal notices from their insurance carrier. What's more, during hard market cycles, insurance carriers are more likely to exit certain unprofitable lines of insurance. **(Figure 1)**

In what was one of the longest soft markets in recent years, businesses across most lines of insurance enjoyed stable premiums and expanded terms of coverage for decades. While the commercial insurance market hardened for a short period of time after the terrorist attacks of September 11, 2001, the last sustained hard market occurred in the 1980s. However, after years of gradual changes, the market has largely firmed since 2019, leading to increased premiums and reduced capacity.

Many factors affect insurance pricing, but the following are some of the most common contributors to the hard market:

- **Catastrophic (CAT) losses**—Floods, hurricanes, wildfires, and other natural disasters are increasingly common and devastating. Years of costly disasters

like these have compounded losses for insurers, driving up the cost of coverage overall, especially when it comes to commercial property policies.

- **Inconsistent underwriting profits**—Underwriting profits refer to the difference between the premiums an insurer collects and the money it pays out in claims and expenses. When an insurance company collects more in premiums than it pays out in claims and expenses, it will earn an underwriting profit. Conversely, an insurance company that pays more in claims and expenses than it collects in premiums will sustain an underwriting loss. The company's combined ratio after dividends is a measure of underwriting profitability. This ratio reflects the percentage of each premium dollar an insurance company puts toward spending on claims and expenses. A combined ratio above 100 indicates an underwriting loss.

- **Mixed investment returns**—Insurance companies also generate income through investments. Commercial insurance companies typically invest in various stocks, bonds, mortgages, and real estate investments. Due to regulations, insurance companies invest significantly in bonds. These provide stability against underwriting results, which can vary from year to year. When interest rates are high and returns from other investments are solid, insurance companies can make up underwriting losses through their investment income. But when interest rates are low, insurers must pay close attention to their underwriting standards and other investment returns.

FIGURE 1

Average Premium Changes, 1999-2022

4Q01 | 28.5%
3Q22 | 8.1%
4Q20 | 10.7%
1Q13 | 5.2%
4Q10 | -5.4%
2Q16 | -3.9%
2Q05 | -9.7%
1Q08 | -13.5%

Source: The Council of Insurance Agents & Brokers

- **The economy**—The economy as a whole also affects an insurance company's ability to write new policies. During periods of economic downturn and uncertainty, some businesses may purchase less coverage or forgo insurance altogether. A business's revenue and payroll, which factor into how premiums are set, may decline. This creates an environment where there is less premium income for insurers.

- **The inflation factor**—Prolonged periods of inflation can make it challenging for insurance carriers to maintain coverage pricing and subsequently keep pace with more volatile loss trends. Unanticipated increases in loss expenses can result in higher incurred loss ratios for insurance carriers, particularly as inflation affects key cost factors (e.g., medical care, litigation, and construction expenses).

- **The cost of reinsurance**—Generally speaking, reinsurance is insurance for insurance companies. Carriers often buy reinsurance for risks they can't or don't wish to retain fully. It's a way for insurers to protect against extraordinary losses. As a result, reinsurance helps stabilize premiums for regular businesses by making it less of a risk for insurance carriers to write a policy. However, reinsurers are exposed to many of the same events and trends affecting insurance companies and make pricing adjustments of their own. +

What Is Wind & Hail Deductible Buyback Coverage?

With the continuing hardening of the commercial property market in the United States, many insurance companies are shifting some of their up-front claims costs to the customer. One of the ways insurance companies are doing this is by implementing a 1%, 2%, or 5% wind and hail deductible. The deductible percentage applies to the limit of insurance and not the amount of the claim. In many cases, there is a separate percentage deductible for the building and personal property.

EXAMPLE OF THE APPLICATION OF A PERCENTAGE DEDUCTIBLE

Assume the value of the insured building is $5,000,000 and the personal property is valued at $1,000,000. In a wind or hail event that includes a 1% wind/hail deductible, the owner of the building would incur two separate deductibles. For the building, the policyholder would incur the first $50,000 of damage; for personal property, the first $10,000 of damage. In some cases, this can create a financial hardship for the buyer.

WHAT ARE THE BENEFITS OF WIND AND HAIL BUYBACK INSURANCE?

Buying wind and hail buyback insurance, also known as a wind-hail deductible buyback (WHDBB), enables policyholders with significant wind exposures to reduce their financial burden following a loss by lowering their deductibles. With a wind and hail buyback insurance policy in place, policyholders can essentially buy down an increment or two from their percentage deductible on their commercial property insurance policy.

As mentioned above, percentage property deductibles usually range from 1% to 5%. If a policyholder has a $5,000,000 building with a 5% wind deductible of $250,000, they could purchase a separate wind and hail buyback policy to cover 4% of their 5% deductible, reducing their out of pocket exposure to $50,000.

Wind and hail buyback insurance helps property owners avoid severe out-of-pocket expenses in the event of a loss. This is particularly relevant in areas of the Midwest where there has been a large increase in the number of convection storms and high wind and hail events, and where insurance carriers are trying to offset some of the challenges of the hardening insurance market by increasing rates and/or deductibles.

These policies are also particularly useful for property owners who are subject to restriction caps on loans or mortgages. Sometimes, money lenders require property owners to reduce their insurance deductibles before they will grant loans. Having a wind and hail buyback deductible is an effective way for property owners to meet these demands.

HOW MUCH DOES WIND AND HAIL BUYBACK INSURANCE COST?

Cincinnati Insurance Company, which specializes in property and liability insurance coverage, explains how the cost of wind and hail deductible buyback insurance varies on the specific exposures of the property. Typically, the premium is a percentage of the policy limit, and ranges between 4% and 12.5%. So, using the above example, a $50,000 wind and hail deductible buyback could potentially cost the building owner between $1,600 and $5,000, depending on their specific exposures.

WHEN DO WIND AND HAIL DEDUCTIBLE BUYBACKS APPLY?

Wind and hail buyback insurance only kicks into action for losses triggered by a wind or hail event. So, if a property owner suffers a big fire loss, they won't be able to reduce their deductible with a wind and hail buyback. They will have to pay their full standard policy deductible.

HOW HAS THE HARD INSURANCE MARKET IMPACTED THE WIND AND HAIL DEDUCTIBLE BUYBACK MARKET?

Over the past few years, the United States has suffered a string of wind-related catastrophes, including some severe hurricanes. These weather events, in addition to other property loss drivers (i.e., flood, fire, hail, etc.), have taken their toll on the insurance industry. Many insurers are in the process of rebalancing their portfolios by reducing their capacity in loss-stricken areas, shoring up their underwriting guidelines, and increasing premiums and/or deductibles. Property owners in areas with severe wind and hail exposure are some of the hardest hit by the firming market conditions. This has resulted in more policyholders seeking deductible buyback solutions in order to offset price increases in their standard property policies. +

Reinsurance Renewal Market Creates Challenges For Commercial Insurance Buyers

Following 2022's hardened reinsurance market, the January 2023 reinsurance renewals for commercial insurance companies show these conditions are continuing. The risk-adjusted global property catastrophe reinsurance rates increased on average by 37% on January 1, 2023—the largest yearly increase since Hurricane Andrew in 1992 and above the 9% increase at the start of 2022. The entire reinsurance market is experiencing rising rates, tighter terms, and difficulties around sufficient capacity as reinsurance companies stop offering coverage at all.

As the reinsurance market experiences some of the largest rate increases in over 30 years, reinsurance capacity continues to be constrained across many coverages. The price increases are driven by macroeconomic challenges, geopolitical concerns, and claims losses that the market had in 2022 and prior years. A convergence of geopolitical and macroeconomic shocks—including the war in Ukraine, volatile energy markets, record high inflation, interest rate hikes, natural catastrophe events like Hurricane Ian, and depleted capital—led to a highly challenged and complex reinsurance renewal cycle in January 2023 for all insurance companies.

AS A COMMERCIAL INSURANCE BUYER, WHY DOES THAT CONCERN ME?

The shift in the reinsurance market—with supply decreasing as reinsurers cut their property catastrophe and other exposures, or exit some markets altogether—is driving higher pricing and increased constraints for insurance companies. There is also increased demand as reinsurance buyers (insurance companies) want coverage for more premium and higher insured values in the market. According to Gallagher Re, the area with most constraint was US property catastrophe. Other than property reinsurance, insurers were able to attain capacity, but they often had to pay more and accept tighter terms and conditions.

Reinsurers are passing on the higher rates and more challenging terms and conditions onto the insurance companies. They are also being more cautious about certain coverages. In property catastrophe contracts, reinsurers are giving clients more restrictive terms and structures that may limit their exposure to losses. They also want to push the possible trigger point for reinsurance payouts upward, putting more risk on the insurance companies.

The increase in reinsurance rates is pressuring commercial insurers to raise their rates further, even as commercial insurers are already raising rates to account for inflation, higher costs, greater numbers of claims, and lower returns from their investment portfolios. In turn, insurance buyers will be paying 10%–20% more for the same or less coverages from their agent/insurance company. Furthermore, buyers will also face more restrictive terms and conditions. +

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Intimacy Without Proximity

RELATIONSHIP COMPETENCY IN A DIGITAL WORLD

BY BEN LYTLE

The way we relate is profoundly and permanently changing. The last decade has reshaped how we relate to each other. Social media created a rapidly evolving discussion forum that is sometimes sweet or nostalgic, other times inane, and too frequently ugly. The COVID-19 pandemic restricted in-person connections as never before in history and accelerated digital communications by at least a decade.

On October 28, 2021, Facebook's parent company was renamed Meta, as Mark Zuckerberg explained in his Founder's Letter. The announcement is far more than a name change. It is a commitment to a new generation of the Internet called the Metaverse, which Meta believes will change every person on the planet—especially how we relate. Zuckerberg's letter states, in part, that "The next platform will be even more immersive—an embodied internet where you're in the experience, not just looking at it." He says of this new Internet platform: "The defining quality of the metaverse will be the feeling of presence—like you are right there with another person or in another place."

"THE WIDESPREAD BELIEF TODAY IS THAT DIGITAL COMMUNICATIONS DETERIORATE OR EVEN DESTROY RELATIONSHIPS."

The metaverse opens a new chapter in human relationships. Soon anyone in the world with little or no understanding of technology will be able to digitally connect to anyone, anywhere, in any language to share experiences as if in-person. Let that soak in for a moment. My book, *The Potentialist I: Your Future in the New Reality of the Next Thirty Years*, describes this digitally enabled world and how to adapt and succeed. This article introduces one of the necessary adaptive skills—forming intimate relationships digitally with people you may never meet in person.

WILL RELATIONSHIPS IN A DIGITAL AGE BE MORE OR LESS VALUED AND MEANINGFUL?

Despite three million years of innovation steadily improving the quality of life and often saving them, the first reaction of most people is to distrust it. Perhaps they do so because unintended and sometimes unfortunate circumstances always accompany innovation. The widespread belief today is that digital communications deteriorate or even destroy relationships.

COVID-19 pandemic requirements transformed how and where we work, learn, worship, and obtain medical and mental health care using video conferencing apps like Zoom, Google Meet, Microsoft Teams, and others. Many people felt that their video conferencing pandemic experiences were devoid of the unique qualities of in-person experiences that COVID-19 prevented.

In fairness, however, the rapid adaptation in the pandemic to videoconferencing in

its relatively crude early versions is a tribute to human ingenuity and resiliency. Now marry that adaptive skill to the promise of the metaverse enhanced relationships in a decade or two. The likely outcome is that digital communications will expand the number and depth of relationships possible while making in-person experiences more valued and richer. Technology alone will not improve relationships, however. Every innovation requires new adaptive skills and behavior. Relationship mindset and skills will need to adapt to maximize the potential of the technology to broaden and enrich relationships.

MEANINGFUL RELATIONSHIPS WILL BE MORE CRITICAL IN A DIGITAL WORLD.

Meaningful relationships are essential to physical and mental well-being and even life expectancy based on numerous studies by respected medical institutions. Families, commerce, and society rely on meaningful relationships to function.

Being receptive to meaningful relationships and knowing how to form them are required career and life skills. Those skills will be more critical in the future because you will live longer and have many more jobs and careers in a mostly digital world.

Relationships become meaningful when imbued with intimacy, a misunderstood and misused term in contemporary society. Don't be surprised if its meaning is fuzzy. It is frequently and incorrectly equated to love, sexual intercourse, an emotional state, or romantic relationships. Intimacy is far more than any of these.

INTIMACY DEFINED.

Intimacy's synonym "kinship" (meaning "from one seed") clarifies its meaning. Intimacy connects us to others so strongly that we experience oneness, indivisibility, inseparability, unlimited connectedness, as if from a shared origin. Intimacy enriches relationships because we truly see the other person and connect and share the joy of being together. Intimacy sets a new standard for relationships. We never feel alone if we have at least one intimate relationship.

Intimacy is a precondition of love but is not identical. Intimacy has its own qualities that parties must share to develop and thrive, including trust, desire to deepen the relationship, engagement, values (especially about relationships), and shared concern or empathy for each other's welfare. Even if all these are present, intimacy may prove elusive, like love. It cannot be made to happen; the conditions are created where it may happen. You may be unsure how to foster intimacy in a digital environment even if you have intimate, meaningful relationships.

INTIMACY WITHOUT PROXIMITY.

The classic fourteenth century poem *Inferno* by Italian writer Dante Alighieri describes hell as lost souls seeking escape but unable to assist or comfort each other. Author Melissa Bank wrote in *The Girls Guide to Hunting and Fishing*: "Dante's definition of hell . . . proximity without intimacy." The challenge of digital intimacy is the inverse, intimacy without proximity.

INTIMACY WITHOUT PROXIMITY IS NOT NEW.

People faced and overcame the challenge of intimacy without proximity throughout history. Those who cared deeply for another, or wished to do so, overcame distance (proximity) and time delays to create intimate relationships.

Before writing, they did so with messengers and go-betweens who spoke for them to the person with whom they sought intimacy. Writing first appeared some 5,500 years ago in Mesopotamia. Not long after, someone wrote the first intimate letter to a friend or lover. The art of letter-writing developed into a highly valued talent over the centuries. Skillful writers knew how to create intimacy without proximity. People separated by great distances and months between letters were able to meet, develop relationships as lifelong friends, or fall in love. Correspondence between US President John Adams and his wife Abigail Adams exemplifies intimacy without proximity.

In the twentieth century, the telephone enabled people to communicate in real-time regardless of distance. Most people saw it as an incredible, life-changing innovation, but some predicted that it would irreparably damage relationships. An elderly gentleman told my mother, "People will stop visiting and only talk on that contraption!" Similarly, there has been widespread angst that smartphones will permanently damage relationships. The critics tend to be short-sighted. Innovations are typically misused and abused until we adapt to them. We mature as we use them over more extended periods. Most of us have an intimate friend or family member who lives far away who we rarely see in person, yet we preserve our intimacy with them

through the phone, email, texts, or social media.

The metaverse vision can empower intimacy without proximity. Forget staring into a screen most of your life. That is not what is in store for twenty-first century humanity. Screens and keyboards will give way to voice and visual experiences through virtual and augmented reality and holographic images, and later to only thought-based brain to computer interfaces. It would be a mistake to underrate the importance of what this profound change in relating will mean to your life and career, but you must act.

DEVELOP INTIMACY WITHOUT PROXIMITY USING DIGITAL COMMUNICATIONS.

Developing intimacy without proximity will become a recognized and essential career and life skill in the next ten years. Both digital and in-person relationships will increase in value as life and career are spent more in a digital world. Skills at building intimacy in one medium will enhance the other.

Commit to learning everything possible about intimacy now. The resources are all around you, and most are free. Learn from people with high emotional IQs who seem to develop intimacy with others effortlessly. Learn from the abundance of books and online content. Study the rich art and history of letter-writing. Select a friend or coworker that is physically distant from you who shares a desire for a richer, more intimate relationship. Experiment with breaking the real and perceived barriers to digital intimacy. Learn together and then apply what you learn to other digital relationships. The quality of your life and others can be enhanced. +

Ben Lytle is a serial entrepreneur and health-care innovator known for being ahead of the curve. He launched five successful companies, including two on the New York Stock Exchange. The best known is Anthem, one of three leading U.S. health plans with a market capitalization placing it in the top 30 of the Fortune 500. He also founded Acordia, Inc., which became the world's 7th largest insurance broker.

He is the author of the new book, The Potentialist: Your Life in the New Reality of the Next Thirty Years, with two companion books to follow in 2023 and 2024. The series is intended as a guidebook for success during the fast-changing, turbulent, and opportunity-rich times ahead — named The Fourth Industrial Revolution by the World Economic Forum. Ben has provided testimony to congressional committees and state legislatures and advised state and federal executive branches on health-care issues.

Lytle's devotion to individual and collective human potential through accelerated wisdom guides his writing, speaking, entrepreneurial energy and investments. He believes people and organizations today underestimate the extent and speed with which the world will change. Time to adapt and prepare is being compressed, opportunities are being missed, and there will be unnecessary suffering unless prompt action is taken.
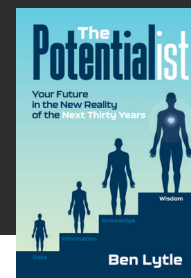
Get Out Of The Driver's Seat Of Your Business

BY BILL PRATER

Are you a seasoned business owner looking to serve your clients at the highest possible level while achieving maximum personal time, money, and freedom in the process?

Many business models proclaim that you must "get behind the wheel" of your business and steer it towards success. However, in reality, to take your business to the next level and provide a top-notch client experience, you must actually get out of the driver's seat of your business. Let me explain what I mean.

UNDERSTAND WHAT'S UNDER THE HOOD

For any business, small or large, private or public, there are four foundational principles at play, and we're going to analyze them through a transportation analogy. First off, you need a vehicle, or in other words, a mechanism or process to deliver your service or offering to your client. Secondly, you need a driver, someone to operate the company and accomplish the day-to-day management tasks. Thirdly, you need a crew or a team that helps you maintain your vehicle (or

business operations, in this case) at a high level and assists with any required upgrades. Lastly, you need a chief that oversees the entire operation at a high level.

Now, if you're a solopreneur, you can already see that you wear each of these hats simultaneously, meaning that your growth and revenue become limited to only what you can personally achieve. This is much like riding a bike. You propel it so you can get to where you want to go, but it expends a lot of energy and can take a long time to arrive at your

destination. When most businesses start off, this is the level they're at. You are personally delivering the goods or services to your clients while controlling all four components of your business.

Unfortunately, people looking to scale their income and grow their business from this level often make some key mistakes such as overinvesting or mis-investing in their human-powered machine. So, instead of investing in things like expensive CRM systems, realistically, what you need to do is to switch vehicles. Many people believe that if they work harder and harder, their bike will eventually transform into a car, but truthfully, you must toss out the bike and replace it with a car.

DRIVING TO YOUR DESTINY

Once business owners level up and replace their bike with a car, they often continue to overinvest or mis-invest in this car. Remember, you can add all types of ornaments or special lights, but you're still going to end up with a car that can deliver your goods and services, so this is truly just a superfluous investment in the end. Moreover, if you get into a highly competitive situation, then the car simply won't do. You'll need a race car. But you can't just acquire a race car (or a high-powered business) and expect that you can run it on your own.

Sadly, another common mistake that most business owners make is that they think they're equipped to operate a race car with the same skill level they have

developed over the years to become a high-level cyclist. Just because you've transformed from beginner to master as a solopreneur does not mean you have the expert capability when you get into a car, let alone a race car. So, if you want your business to achieve its highest form, you need a robust vehicle, skilled driver, dedicated crew, and reliable chief all working together to achieve a common goal.

You might be thinking, *Well, I've hired a team, so why am I not achieving the level of success I'm hoping for?* This is because the capability of your bike is limited regardless of how big the support system is, meaning it's absolutely critical to match the crew with the vehicle. If you want your business to be the best (and I know you do), you need to hire the best crew for the job, which requires giving up control and onboarding a high-performance team to pursue a common goal. Many times, even when a business owner graduates from a bike to a car, they feel the need to stay in control of everything. Some believe they have to in order to stay in the game. This is what we call a player-coach.

For any business owners stuck in this middle ground of being a player-coach, I want to draw your attention to a quote from Elon Musk, the richest man in the world in 2022. He said, "A company is a group organized to create a product or service, and it is only as good as its people and how excited they are about creating. [My teams consist of] a ton of super-talented people. I just happen to be the face of the company." In other words, he's saying you need to hire the best to be the

best. Although, as I'm sure you've figured this out, it's not always quite that simple.

ROAD MAP TO SUCCESS

To acquire that race car along with the proper driver and crew, there are four simple phases to consider, and I've created the acronym IDEA to accompany these steps. For starters, "I" stands for intention, meaning you need to transform your dream into an intention and make a commitment to your future. "D" is for design, where you create the perfect game plan and set your vital goals for the year. (Note: This is *not* a business plan. It is a game plan). Next, "E" stands for execution, meaning you and your team need to follow the same agenda, hold regularly scheduled meetings, embrace a culture of accountability, and require corrective action on every missed goal. That brings us to "A" for acceleration, which is the process of evaluating your company, lining up resources you will need to reach your goals for the next stage of scaling, and repeating this in every department or aspect of your business.

Handling your business operations can be stressful, but you will gain access to all this knowledge in my Business Mastery Community, including specialized support, networking opportunities, and more. So, if you're looking to avoid common business pain points, empower yourself to make confident business decisions, scale your revenue, and learn how to implement the Business Mastery System, simply go to joinceoalliance.com (it's free to join) and let's get you out of the driver's seat of your business sooner! +

Bill Prater earned his reputation as America's Business Alchemist™ by helping business owners and entrepreneurs break free of inertia and accelerate into the future they dream of. He loves nothing better than sharing what he has learned by working with those who are dissatisfied with the status quo and eager to transform themselves and their business. He created Scaleology® and the Business Mastery System™ as the core foundational principles of dynamic and continuous business growth. A typical client of his sees their company rising to a position of preeminence and is not satisfied with just "getting to the next level".

ARE YOU CONNECTING TO ENGAGE & INFLUENCE YOUR AUDIENCE'S BIOLOGY?

Why we need to create content with less data and more emotional, story-based passion.

BY STEPHANIE PAUL

t's ironic that I am opening this article with a statistic. Humor me. Imagine you sat down to catch up on your reading and you came across an article in the *Harvard Business Review* describing almost two decades of research around self-awareness. Based on their findings in the article, they inferred that 95% of people think they are self-aware but only 10%–15% actually are.

When I discovered this article, it strengthened my belief in the way we onboard clients. We always start with five science-based assessments to see what stories are being told in the data. The assessments we use to find these stories are the following:

1. DISC, which covers your observable behavior, i.e., how you show up.

2. The 12 Driving Forces, which covers internal psychological motivators with things like knowledge and others.

3. An Emotional Intelligence (also known as emotional quotient or EQ) assessment.

4. HD Acumen, which looks at your current state of mind with respect to self-view or internal view and world view outside oneself.

5. DNA, which shows how well you are developed in 25 soft skills like negotiation, leadership, and customer service.

It is always interesting to see how many people are shocked when their EQ comes back with unfavorable scores. For a storyteller, EQ is an essential component to understanding self and others. The most engaging and influential storytellers are often very sincere, transparent, humorous, and empathetic with a remarkable understanding of the human condition.

At the core of all effective and influential storytelling is a strong understanding of self and others. Commanding presence is all about what you value and how you show up with your nonverbals. We have over 4,000 human behaviors, and the limbic system reads them very well instinctually. This is why we have "gut reactions" to people. The most powerful storytellers I know have a strong sense of self and others.

Have you ever been at a gathering like a funeral or a wedding and someone speaks extemporaneously and makes you laugh, cry, and feel deeply emotional? Why are we so moved in these moments? Because the storyteller in that moment is truly connected to self and the stories they are sharing. They are willing to be courageous and vulnerable. Here is where our biology buys in. Whether your messages are in a form of marketing, branding, or a simple job interview, we often forget the journey these messages must take to be successful. In my experience, we often forget—or maybe don't even know—how much we can control biologically with our audiences if we truly want to.

Take laughter, for example. It's the most contagious behavior we have. We will laugh with others even when we don't know what they are laughing at. We create our messages with our neocortex. The neocortex is where language, logic, and reason are created in the brain. However, our messages must first pass through the reptilian/dinosaur brain and the limbic brain before they get anywhere near the logic and reason.

Those two brains have no concept of language, logic, or reason. All they want to know is who are you? Do I like you? Can you help me? Do I trust you? These questions are answered instinctually not with what you say but with your nonverbals and in how you behave and show up.

Before your message even gets to the limbic system, it must go through the reptilian brain which processes information like the following:

- If it's not threatening/risky, ignore it.
- If it's boring, ignore it.

- If it's not novel and stimulating, ignore it.
- If it's new, summarize it as quickly as possible and forget about the details.

This is where using things like "What's in it for me?" or "Fear of Missing Out" can come into play.

Basically, the reptilian brain will not send anything up to the neocortex for problem solving unless you have a situation that is really risky, unexpected, intriguing; or out of the ordinary, novel, funny, or exciting. Story is a dynamic way to get past the gatekeeper.

In order to get the messages past the reptilian and limbic brain to the neocortex, we have to do the following:

- Open with the exciting *Big Picture.* Think TED talks.

- Make it *emotional* so that your audience will respond emotionally to what it sees and hears.

- Use a hook for the big aha moment to bridge the gap from the listener's reptilian brain to their neocortex and thinks, *Tell me more. This is interesting.*

- We cannot make decisions without the emotional buy-in from the limbic system. All of this happens at lightning speed too, making it imperative to be highly self-aware and aware of others in order to be really good at delivering emotionally powerful messages.

Storytelling is extremely effective because our brains are wired for it. Before we even had a neocortex with language and logic, we told stories with our nonverbals and paintings on cave walls. This reminds me of when I was speaking to about 200 sales managers and executives one day on the power of story and a young man raised his hand and asked me, "Can you even tell a story without speaking?" I replied, "Yes, Have you ever heard of a mime? Google Marcel Marceau."

Most people try to tell stories by listing facts and forget to read their audience, alter their tone of voice, describe tantalizing visualizations, use perfect pausing, or use
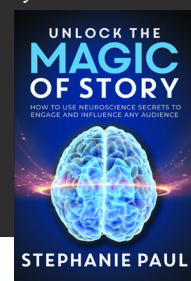
emotional words that elicit reactions. Details that delight the limbic system are dropped. So why don't people dive in and develop these skills? My guess is that it takes time! After all, time is money. And where is the ROI in practicing to become a great storyteller? Oh, I don't know. Maybe ask J.K. Rowling! +

Stephanie Paul takes great pride in coaching executives, sales teams, TEDx speakers, fundraisers, and experts of all kinds to become master communicators.

In fact, her proven approach, "Powerful Emotional Engaging Presentations," draws upon her 29 years of rich and diverse entertainment experience. Her talents take many forms–as an actress who has worked in 10 international TV and Film markets, an improv, stand-up, and sketch comedian, director, producer for live events, stage and video, writer, and public speaker. As a result, Stephanie's profound knowledge of the entertainment business, as well as her keen ability to deliver her content with wit, wisdom, and humor, guarantee that her training sessions are inspirational, spontaneous, engaging, and fun!

Whether a trainer, keynote speaker, or MC, Stephanie has the uncanny knack to turn any, "Bored Room" into a lively, spirited, and connected room – creating highly memorable experiences for all.

UNLOCK THE
MAGIC
OF STORY
HOW TO USE NEUROSCIENCE SECRETS TO ENGAGE AND INFLUENCE ANY AUDIENCE

STEPHANIE PAUL

How AI Will Impact The Employee Experience

BY JOHN DIJULIUS

While artificial intelligence (AI) is already improving the customer experience, it will dramatically improve the *employee experience* over the next decade. Tedious tasks that once took agents hours upon hours to complete—be it boring data entry or replying to repetitive questions—will be relegated to computers. Along with its subfield of machine learning (ML), there are numerous ways in which AI will impact the employee experience and boost employee satisfaction, in turn helping them create a best-in-class customer experience.

AI will make the role of customer service agent far more rewarding and enjoyable. "When you put the employee first," explains Harald Henn, CEO of Marketing Resultant, "It can help turn the modern contact center workplace into a synergistic powerhouse where people produce consistently incredible results. Who is going to go out of their way for your customer—an employee who is underpaid, overworked, and doesn't feel appreciated? Or an employee who's treated like a valued member of the company?" There is power in exceeding employee expectations.

GENUINE HAPPINESS VIA ARTIFICIAL INTELLIGENCE

When it comes to how AI can make employees happier, Henn brings up some of the biggest factors that make an employee frustrated and unhappy, including tasks filled with monotonous repetition and too much time spent info-searching across numerous systems. He points out that, "AI can support employees by eliminating tedious search tasks. AI-based 'internal search systems' will find relevant information in a fraction of the time." AI chatbots will handle those simple, monotonous tasks in real-time, freeing the employee from the tedium of repetition and creating a more positive employee experience.

HOW AI CAN HELP WITH DEMANDING, EVEN ANGRY, CUSTOMERS

Another example of how AI can help reduce employee stress is when customers get angry or become very demanding. Employees feel pressure from the customer to find the necessary information as fast as possible. And during peak days or seasonal rushes, answering the same question 8100 times a day doesn't make any employee happy. AI will eliminate most if not all these transactions, such as delivery status questions, freeing up customer service representatives to focus on the more complex,

"THE IMPACT OF AUTOMATION CANNOT BE DENIED. THERE IS NO ARGUING THAT MACHINES AND AI ARE FASTER, CHEAPER, AND MORE EFFICIENT"

rewarding tasks that require human attention and a deep understanding of customer needs.

In her blog *How AI Will Improve the Employee Experience This Decade*, Kaila Krayewski shares, "The capabilities of AI can go far beyond automating simple, repetitive tasks if we consider how AI can work together with humans to create a team of what are essentially super employees. AI will also help to guide employees through more complex customer journeys."

Krayewski believes AI will be a supportive, cooperative ally to agents, doing everything from offering advice to initiating related processes to updating CRM info. "And as chatbots and virtual agents are adopted more widely and become better, automation rates will increase, escalation rates will decrease, customer service will become more efficient, and everyone will be happier."

And Henn predicts, "AI chatbots will identify a customer's intent, and based upon what the customer needs, pass this request on to robotic process automation (RPA)." At times, AI will even successfully take care of requests without an employee being aware of it. "This will give a lot of extra time for employees to do what human beings can do best: engage with a customer, empathize, and build a strong relationship."

Krayewski agrees. "Improving the employee experience can boost your business in a big way. It's clear that AI can make employees happier. By taking away repetitive tasks, AI can work together with humans to augment their work, making them faster and more effective at every task." Krayewski also believes AI will boost employee engagement. It will allow team members to bring their best traits to the workplace, with less focus on routine tasks leading to more time for solving customer issues and genuinely being there for them on an emotional level. Employees will bring the best of their humanity to each customer interaction. In theory, at least, this scenario will work well for everyone, particularly frontline employees. Competitive advantage and positive impact on employee retention seem all but guaranteed.

THE POTENTIAL BUSINESS IMPACT OF IGNORING NEW TECHNOLOGIES

Organizations have tried numerous strategies to cope with the lack of human labor—everything from reducing their operating hours to raising wages to offering four-day work weeks. But recently they have hit upon a new strategy, one that has them saying, "What labor shortage? Use AI."

"Those that choose to ignore the power of new AI tools may not last long enough to get to that point. There will be new jobs created and many that could be permanently disrupted, perhaps reviving debates about universal incomes and pressure for skills training," says Diane Brady, assistant managing editor at *Forbes.*

CHATGPT: AI ON STEROIDS

"Generative AI, algorithms that generate fresh images, sounds, and content that dazzlingly–and often disturbingly–ends up being as good or better than what humans can create on our own," continues Brady. "The most heralded of the bunch thus far–not to mention the fastest-growing consumer internet application in history, with more than 100 million users—is ChatGPT. Launched by OpenAI in November 2022, the chatbot is editing research papers, passing business school exams, composing music, and proving to be a terrific customer-service rep, coder, marketer, and therapist to all."

Chat Generative Pre-Trained Transformer (ChatGPT) is a chatbot built on language models powered by and trained on massive amounts of data. ChatGPT offers detailed responses and articulate answers across many domains of knowledge. Its factual accuracy needs work, however.

THINGS CHATGPT CAN DO:

- #1 job: mimic human conversation
- Write and debug computer programs
- Compose music, teleplays, fairy tales, poetry, song lyrics, and student essays

- Answer test questions (sometimes better than the average human test-taker)
- Emulate a Linux operating system
- Play games e.g., tic-tac-toe
- Simulate an ATM
- Offer more nuanced answers; it doesn't trust every query it gets, e.g., when offered an untrue premise about Christopher Columbus arriving in the U.S. in 2015, it acknowledged the "lie" and framed the answer as what might have happened if CC arrived in that year

Unlike its predecessor, ChatGPT can remember things previously said in a conversation and tries to reduce harmful/deceitful responses. Queries get filtered through its parent company's technology to eliminate racial and sexist prompts.

DOING MORE WITH LESS HUMANITY

The impact of automation cannot be denied. There is no arguing that machines and AI are faster, cheaper, and more efficient. And they make fewer mistakes than humans. When a bank started using chatbots to handle more than 1.5 million claim requests each year, it found that the work of 85 bots was equal to the output of 200 full-time human employees...at only 30 percent of the cost.

THE GREAT RE-SHUFFLE

The Great Re-shuffle refers to employees who not only quit their companies but totally left the industry they were working in. The ones hit the hardest by the Great Re-shuffle are the ones that require employees to physically come to work, e.g., retail, hospitality, manufacturing, salons, fitness clubs, and health care. Working from home is not an option for most of these industries, and employee burnout rates are high.

As a result, organizations impacted most by the Great Re-shuffle will have to get creative in providing a great customer experience with less labor. For instance, the future of fast-casual restaurants will be less dependent on servers working a set of tables, and more on self-service kiosks/iPads on the table and/or an app customers can use to place their orders, then either pick it up themselves or have dining room runners bring it out to them. Businesses will also need to offer superior digital employee experiences (DEX), defined by behavioral science firm BetterUp as "encompassing every aspect of an employee's interaction with technology". Technology might be linking workplace experiences more and more, but it will still need to provide humans with ease, clarity, and reliability.

THE RISE OF VIRTUAL RECEPTIONISTS

A growing trend in salon/spas and doctor offices are virtual receptionists. Like a traditional receptionist, instead of being a full-time employee working onsite, they work remotely. Virtual receptionists can be responsible for handling all the duties of a receptionist. They can answer incoming calls, take messages, transfer calls, make outgoing calls, schedule appointments, and so much more. And they do it all from a remote location. A virtual receptionist can check in customers or patients and answer any questions through a video screen that is stationed in the reception area. They can even direct a customer or patient to a thoughtfully provided—albeit self-service—coffee station.

Everything is provided...except, perhaps, the warmth of human interaction. +

John DiJulius is redefining customer service in corporate America today. He didn't read the books on customer service, he wrote them: Secret Service, Hidden Systems That Deliver Unforgettable Customer Service, What's The Secret? To Being a World Class Customer Service Organization, The Customer Service Revolution, The Best Customer Service Quotes Ever Said, and The Relationship Economy. One of the most captivating and charismatic speakers today, John's keynotes and workshops are used by world-class service companies to provide unforgettable customer service every day. In his high-energy presentations, he uses powerful visuals as he discusses the 10 commandments of customer service and explains how to improve the service aptitude of employees at all levels.

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BUILDING STRONGER
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IN THE DIGITAL AGE

THE
RELATIONSHIP
ECONOMY

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Teaching Leaders What To Stop

ADDING TOO MUCH VALUE

BY DR. MARSHALL GOLDSMITH

"AS A LEADER, IT'S IMPORTANT TO RECOGNIZE THAT THE HIGHER YOU GO IN THE ORGANIZATION, THE MORE YOU NEED TO MAKE OTHER PEOPLE WINNERS AND NOT MAKE IT ABOUT WINNING YOURSELF."

A classic problem of smart, successful people is Adding Too Much Value. This bad habit can be defined as the overwhelming desire to add our two cents to every discussion. A slight variation on Winning Too Much, Adding Too Much Value is common among leaders who are used to running the show. It is extremely difficult for successful people to listen to other people tell them something that they already know without communicating somehow that **(a)** they already knew it and **(b)** they know a better way.

WHAT IS THE PROBLEM WITH ADDING TOO MUCH VALUE?

It would seem like it would be better for all concerned if our ideas were always improved upon. It's not. Imagine an energetic, enthusiastic employee comes into your office with an idea. She excitedly shares the idea with you. You think it's a great idea. Instead of saying, "Great idea," you say, "That's a nice idea. Why don't you add this to it?" What does this do? It deflates her enthusiasm; it dampers her commitment. While the quality of the idea may go up 5%, her commitment to execute it may go down 50%. That's because it's no longer her idea, it's now your idea.

EFFECTIVENESS OF EXECUTION = A) QUALITY OF THE IDEA X B) MY COMMITMENT TO MAKE IT WORK.

Effectiveness of execution is a function of a) What is the quality of the idea? times b) What is my commitment to make it work? Oftentimes, we get so wrapped up in trying to improve the quality of an idea a little that we damage their commitment to execute it a lot. As a leader, it's important to recognize that the higher you go in the organization, the more you need to make other people winners and not make it about winning yourself.

I asked my coaching client J.P. Garnier, former CEO of the large pharmaceutical company GlaxoSmith Kline, "What did you learn from me when I was your executive coach that helped you the most as a leader?" He said, "You taught me one lesson that helped me to become a better leader and live a happier life. You taught me that before I speak I should stop, breathe, and ask myself, 'Is it worth it?'" He said that when he got into the habit of taking a breath before he talked, he realized that at least half of what he was going to say wasn't worth saying. Even though he believed he could add value, he realized he had more to gain by not saying anything.

The flipside to this concept is that people often take leaders' suggestions as orders. I asked J.P, "What did you learn about leadership as the CEO?" He said, "I learned a very hard lesson. My suggestions become orders. If they're smart, they're orders. If they're stupid, they're orders. If I want them to be orders, they are orders. And, if I don't want them to be orders, they are orders anyway."

For many years, I taught this to the students at the new admirals' school of the US Navy. The first thing I taught them was that as soon as they get their stars, their suggestions become orders. Admirals don't make suggestions. If an admiral makes a suggestion, what is the response? "Sir, yes sir." Their suggestions become orders.
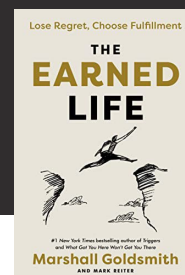
What does this mean for leaders? It means closely monitoring how you hand out encouragement and suggestions. If you find yourself saying, "Great idea," and following it with "But," or "However," try cutting your response off at "idea." Even better, before you speak, take a breath and ask yourself if what you're about to say is worth it. You may realize that you have more to gain by not winning (adding value)! +

Dr. Goldsmith is the author or editor of 35 books, which have sold over two million copies, been translated into 30 languages and become bestsellers in 12 countries. His two other New York Times bestsellers are MOJO and What Got You Here Won't Get You There .

Marshall's professional acknowledgments include: Harvard Business Review and Best Practices Institute – World's #1 Leadership Thinker, Global Gurus, INC and Fast Company magazines – World's #1 Executive Coach, Institute for Management Studies – Lifetime Achievement Award for Excellence in Teaching, American Management Association - 50 great thinkers and leaders who have influenced the field of management over the past 80 years, BusinessWeek – 50 great leaders in America, Wall Street Journal – top ten executive educators, Economist (UK) – most credible executive advisors in the new era of business, National Academy of Human Resources – Fellow of the Academy (America's top HR award), World HRD Congress (India) – global leader in HR thinking. His work has been recognized by almost every professional organization in his field.

Three of his books have been American Library Association – Choice Award winners for best academic business books of the year.

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THE EARNED LIFE

#1 New York Times bestselling author of Triggers and What Got You Here Won't Get You There

Marshall Goldsmith
AND MARK REITER

WANT TO BE MORE PRODUCTIVE? TRY A SALES SPRINT!

BY PHIL GERBYSHAK

The salespeople I speak to tell me that focusing for long periods of time is hard to do, which causes them to not do what needs to be done – or at least less often than they know it needs to be done.

So, I created Sales Sprinting just for them.

Required equipment to get started is minimal: You just need your calendar, and a timer you can set for up to 20 minutes.

YOU MUST BLOCK THE TIME BY ADDING YOUR SPRINTS TO YOUR CALENDAR

If you don't put it on your calendar, you won't do it. Something else will ALWAYS come up.

Also, adding it to your calendar will help others see you are busy, so they won't accidentally make another appointment on top of your sales sprint.

Create a 30-minute calendar appointment with the title being the task you're going to focus on. This will also help you search for it later.

PREP FOR 5 MINUTES

Take 5 minutes of prep time to get your head on straight, to get whatever tools you need ready, to get everything shut down.

MAKE YOURSELF TOTALLY UNAVAILABLE

Turn off the notifications on your smartphone. Turn your ringer off and put the phone in airplane mode – unless you are doing a sprint with something on your phone.

Close your desktop email – unless e-mail is the focus of this sprint. Close every app on your computer that you don't need right now.

If you won't be using your computer, lock the workstation so you won't be tempted by anything else.

And shut your door, hang a sign on your cubicle, or put your headphones on so people don't interrupt you. It's important you stay focused for the full time, or it won't be as effective.

SPRINT: 20 MINUTES

You know what to do.

Get to work!

Do the task for the full 20 minutes.

Don't do anything else. Keep your head down and do the work. Don't cheat yourself by doing anything else. Focus – and do the work for the full 20 minutes!

STOP! DO NOT KEEP GOING!

You just sprinted for 20 minutes. Just like if you were running at the gym, you are likely now tired, or at least sick of that task. It's time to…

RECOVER FOR 5 MINUTES

Take 5 minutes and get away from your desk and take a walk around the office, go outside, go stare out the window, whatever you need to do to get your mind off the task you just did.

If you need to do more work, you can do one more cycle for 5-20-5, and you can do it 2 more times in the afternoon if you did it in the morning, no more than 2 sprints per 4-hour block.

The people I've trained and coached report getting more done in these 20-minute sprints than they do in half a day of unfocused time.

Some good tasks to do Sales Sprinting with include:

- Catching up on emails
- Filing
- Double checking paperwork
- Reading unread text messages
- Listening to voicemails
- Updating Salesforce
- Checking Slack

CONSIDERING DOING ANOTHER SALES SPRINT?

Take 5 more minutes and check your notifications (Slack, Email, phone, whatever) and see if you have the time to do the Sales Sprint.

It is NOT recommended that you do more than 2 Sales Sprints in a row as you should be going as hard as you can for the entirety of the Sales Sprint. If you need more, you should block MORE TIME on your calendar so you can finish it all. +

Phil Gerbyshak knows sales. He's a sales speaker, a sales executive, a sales expert, a sales leader mentor, a sales podcaster, and a sales coach. Phil has worked in sales, leadership and the digital space for years, starting by selling high-speed Internet when the Internet was using dial-up, was a stockbroker, a software salesman, and has even sold digital advertising.

He's written 6 books, more than 3000 articles, and has been quoted in the Wall Street Journal, Daily Globe and Mail, Financial Times, Investor's Business Daily, Inc. and many other publications, including earning 3 covers: Speaker Magazine, Marketing Media and Money, and Social Selling Made Easy. People recognize Phil for his personal brand of connection and simplicity, delivered with a smile and some hard-earned swagger. Phil works with businesses to leverage modern selling practices, including social and virtual selling, to increase their profitability, their productivity, and their performance.

PhilGerby.com

Goals That Make Employee-Centric Managers Out-Perform All Others

BY DR. JACK WILEY

In the field of organizational psychology today, the dominant theory of employee motivation is goal-setting theory. It's a powerful theory explaining what activates people to perform at increasingly higher levels. Research shows that those who set goals clearly outperform those who don't. And further, that those who set specific, difficult goals outperform those who set general, easier-to-achieve goals.

Most managers want to lead a winning team. But employee-centric managers balance a specific set of clear-cut goals to achieve genuine, lasting business success.

Their goals are:

1. TO GET ALONG WELL WITH ALL MEMBERS OF THEIR TEAM.

Employee-centric managers aim to foster good, respectful relationships with subordinates which helps smooth the way to higher personal satisfaction and productivity. Having difficult relationships with subordinates is no fun and a source of vexation for everyone involved.

2. TO ACHIEVE POSITIVE INTERPERSONAL TEAM CHEMISTRY.

Regularly needing to step in and resolve interpersonal conflict within a team is a clearly a drag on time and energy and makes everybody grumpy. Employee-centric managers step in to resolve conflicts quickly and well, keeping both co-worker cooperation and team output high.

3. TO OVERSEE A HIGHLY ENGAGED TEAM.

Employee-centric managers understand the drivers of engagement and act accordingly. They ensure a good employee-job demands match, they recognize and empower employees, earn their trust by walking the talk, and help employees develop new skills, keeping them excited about the work itself.

4 . TO CREATE A HIGH-PERFORMANCE TEAM.

Maximizing the value of the resources entrusted to managers is what it's all about. Managers of teams that consistently out-perform others adopt the employee-centric management style as the surest pathway to team success.

5. TO OBTAIN HIGHLY FAVORABLE PERFORMANCE REVIEWS.

Being seen as competent in what we do is important to all of us. Employee-centric managers meet and exceed their personal performance targets and achieve favorable reviews from their managers by ensuring employees have what they need to get the job done.

6. TO MAXIMIZE THEIR REWARDS.

Rewards for managers typically fall into one of two categories: higher incomes and better opportunities for career growth. Top-performing managers rely upon the employee-centric pathway to achieving their rewards, knowing it produces the best employee experience and the highest team performance.

The big question is: what specifically does an employee-centric manager do to accomplish these goals? My research reveals their eight attributes: 1) show support and understanding, 2) provide recognition, 3) treat employees with dignity and respect, 4) communicate clear performance expectations, 5) reward performance contributions, 6) demonstrate competence in problem-solving and decision-making, 7) be just and fair, and 8) be honest and trustworthy. This defines the employee-centric manager – one consistently performing at the highest level. +

Jack Wiley, PhD, is an award-winning organizational psychologist, researcher, and leadership consultant. Dr. Wiley is president and CEO of both Employee Centricity LLC and Jack Wiley Consulting, LLC; he also serves as the Chief Scientific Officer at Engage2Excel. With more than 30 years of experience studying what employees most want and what organizational design factors best promote business success, he is a frequent keynote speaker and media contributor -- on issues related to the workplace, employee engagement and retention, leadership effectiveness, and business performance.

THE EMPLOYEE CENTRIC MANAGER

DR. JACK WILEY
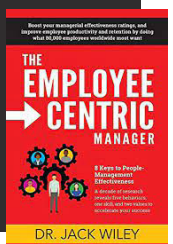
YOUR PERSONAL INSURANCE SHOPPER

Insurance is complicated and no one loves shopping for it – except for us! We'll work together to determine the coverage you need and recommend companies that can provide the best coverage for you at the right price.

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Market Value & Replacement Cost

If you own commercial property, choosing a property insurance policy that fits your specific needs is important. A wide variety of policy options are available at different prices that cover an assortment of reimbursement options. Although there are policies that offer a large amount of financial coverage, depending on the type of property that will be insured, it may make more financial sense to pick a policy that still offers adequate coverage while having lower premiums.

Commercial properties can be covered in a variety of ways, and a number of factors can determine whether your property's value goes up or down each year. Knowing how much your property is worth and obtaining the insurance policy that both protects you and suits your financial needs is important. The following are descriptions of common types of policies and valuation, and the costs that they generally cover.

MARKET VALUE

Simply put, market value describes the estimated amount that a property would sell for on the date of valuation. Any land included in a commercial property is also a part of its market value. The term market value can be used interchangeably

with open market value, fair market value, or fair value.

A number of factors are considered when a property's market value is appraised, some of which cannot be influenced by the buyer, seller, or appraiser. These include the location of the property, capitalization rates, rent growth rate, the general state of the real estate market, and more.

Market value is most often used when buying or selling a property. However, it may also be examined when determining the type of insurance policy to place on a property, or the amount of compensation in the case of a loss.

REPLACEMENT COST

Replacement cost, or reconstruction cost, is a type of insurance that covers the cost to replace or repair a building with materials of the same or comparable quality.

FOR THE PURPOSES OF COVERAGE—AND UNLIKE MARKET VALUE—REPLACEMENT COST POLICIES DO NOT INCLUDE THE VALUE OF ANY LAND AND IS DETERMINED BASED ON THE AMOUNT NEEDED TO HIRE CONTRACTORS AND PURCHASE MATERIALS TO REPAIR A BUILDING OR CONSTRUCT A REPLACEMENT.

Theoretically, the replacement cost of a commercial property should be lower than its market value, as the replacement cost only has to take building materials and labor into consideration when determining compensation. However, the costs of materials and labor can fluctuate. This, along with the numerous factors that contribute to market value, makes it possible for the replacement cost of a property to be higher than its market value.

A replacement cost policy offers a large amount of financial protection in the case of a loss, as it does not take depreciation into account when determining compensation. However, it is usually more expensive than other types of coverage and, as a result, may not make sense for every property. Without continuous maintenance and renovations to a property, the value of a building will generally depreciate over time. However, the cost of materials and labor to replace a lost property is generally more stable. Because of this, it may be better to opt for a less expensive plan that still protects the operations of your business.

ACTUAL CASH VALUE

Actual cash value policies function in a similar way to replacement cost in that they cover the cost to replace or repair a property. However, under an actual cash value policy, there is a deduction in compensation to account for the depreciated value of the original property.

A property covered under an actual cash value policy will be rebuilt or repaired using modern construction techniques and materials. The difference between this cost and the depreciated value of the original property is covered under a replacement cost policy, not an actual cash value policy.

Actual cash value policies generally have lower premiums than replacement cost plans, and they may make more sense for particular types of properties. For example, a store located in a very old building in a popular urban environment will not depreciate as quickly as a new office building located in a business park. The store is more location-sensitive and does not require a specific type of building to operate, so an actual cash value policy and its lower premiums may make more financial sense than a replacement cost plan.

FUNCTIONAL REPLACEMENT COST

Another less expensive option for property coverage is functional replacement cost. This type of policy is used when a functionally equivalent building can be found to replace the original property at a lower cost than building a replacement. A building's functional replacement cost is lower than the replacement cost, which results in a reduction in the amount of coverage and correspondingly smaller premiums.

Functional replacement cost coverage can also be used to repair a partially damaged property with less expensive materials, such as replacing a wall with drywall instead of plaster.

The main reason for using functional replacement cost coverage would be to save money with lower premiums, so it may be a good option for properties that use expensive materials that are not necessary to the function of the property or for buildings with intangible value that is not relevant to their commercial function.

WHICH TYPE OF COVERAGE BEST FITS YOUR NEEDS?

The value of any piece of commercial property changes constantly. Knowing your property's value and obtaining the policy that best suits your needs will safeguard your current and future assets.

Contact Spectrum Insurance Group today to appraise your property's value and learn more about which type of policy is best for you. +

CYBER RISKS & LIABILITIES

Managing End-Of-Life Software

At some point, all software will reach the end of its life. This means manufacturers will no longer develop or service the product, discontinuing all technical support, upgrades, bug fixes, and security fixes. As a result, end-of-life (EOL) software will have known vulnerabilities that cybercriminals can easily exploit. This article discusses the risks of continuing to use EOL software and discusses best practices for organizations to mitigate this risk.

RISKS OF EOL

Known but unmitigated vulnerabilities are among the highest cybersecurity risks. One survey found that 60% of data breaches stemmed from unpatched known vulnerabilities. Another report found that 3 out of every 4 cyberattacks in 2020 exploited security vulnerabilities from 2017 or earlier.

Organizations may be hesitant to transition away from EOL software for a number of reasons, such as:

- new software lacks necessary features
- limited resources
- migration challenges
- lack of accountability for replacing software

This is especially true when EOL systems are still functioning. However, continuing to use EOL software also comes with a myriad of risks, such as the following:

- **Heightened cybersecurity risk**—Without security fixes from the developer, EOL software becomes riddled with security hazards that hackers are often quick to exploit.

- **Software incompatibility**—New applications will be designed for current software, meaning EOL software is often unable to accommodate newer apps. Organizations that continue to use EOL software will likely have to hold onto legacy systems and applications even when newer and better versions become available. This poses additional risks as out-of-date applications may soon reach EOL as well.

- **Inability to stay in compliance with regulations**—Regulations requiring companies to meet minimum data security standards are on the rise. As a result, organizations that use EOL software and fail to adequately protect sensitive customer data may be deemed noncompliant. Consequences may include fines or company shutdowns.

- **High operating costs**—Attempting to maintain, patch, and bug-fix EOL software without developer assistance can be costly. In some cases, the cost of trying to patch EOL software may exceed that of replacing old software to begin with.

- **Poor performance and reliability issues**—If your organization is

running out-of-date software, there is an increased likelihood that your software or systems could break down. Such failures can result in costly downtime and additional operating costs.

Proactive management is a necessary step to prevent unwelcome surprises and keep your organization secure.

MANAGING EOL SOFTWARE

Although many organizations are prepared for the initial lifecycle stages that come with introducing new products, few businesses are prepared for what will happen when it inevitably comes time for these software components to be phased out. Consider the following tips for EOL management:

- **Create a life cycle management plan.** Effective planning for EOL reduces cybersecurity vulnerabilities, lessens the risk of downtime, and helps companies remain compliant with regulations. Your life cycle management plan should include all aspects of a product life cycle, beginning with the introduction of new software to EOL and extending to plans for phasing out unsupported software.

- **Understand device history.** Use device management software that will automatically capture important information about devices when they connect with the network (e.g., model number, IP address, certificate status). Such software can provide your organization with a highly detailed network overview and will enable your organization to push software and firmware updates, certifications, and other necessary upgrades to thousands of computers on your network simultaneously.

- **Monitor EOL status.** Stay current on EOL notifications regarding all critical components of your organization. Most major suppliers have lifecycles for products and product components, including EOL dates. Best practices suggest reviewing the EOL dates of new software before selecting it for current use. Planning for EOL will help your organization avoid any surprises about when devices or software will no longer be supported, enabling your organization to plan and budget for the replacements.

- **Maintain consistent cybersecurity practices.** Ensure compliance with cybersecurity best practices. Some areas to consider include policies surrounding changing default passwords, password strength, compliance with regulations (e.g., Health Insurance Portability and Accountability Act, Payment Card Industry Data Security Standard, and National Defense Authorization Act) and how frequently risk levels are assessed.

- **Communicate early and clearly.** Inform customers of all upcoming EOL issues and your plans for addressing them. Being communicative and transparent can help your organization improve customer loyalty and trust during EOL transitions.

CONCLUSION

It's evident that EOL software exposes organizations to heightened levels of risk. Additionally, many insurers will ask for information on EOL management as a prerequisite to obtaining cyber insurance. Through proper planning and device management, businesses can stay sufficiently protected against these known cyber vulnerabilities.

For more risk management guidance, contact us today. +

5 Employment Policies To Review In 2023

Employee handbooks are important tools for establishing employee expectations, addressing workplace issues, and defending against potential lawsuits. Failing to update employee handbooks regularly can make employers vulnerable to legal risks and liabilities, resulting in costly fines, penalties, and attorneys' fees. Employment laws are often complicated, and employers need to be aware of any new regulatory developments that may impact their organizations and workforce. The start of the year provides employers an excellent opportunity to review and update the policies in their employee handbooks. This article explores five employment policies employers should consider reviewing in 2023.

1. PAY TRANSPARENCY

More employees are demanding pay transparency as a result of changing labor markets and workforce demographics. Pay transparency is when an employer openly communicates pay-related information to prospective and current employees through established practices. With demands for pay transparency increasing, some states have passed legislation in recent years requiring employers to be transparent. California, Colorado, Connecticut, Maryland, Nevada, Rhode Island, and Washington have passed pay transparency laws. Some cities—including New York City, Jersey City and Cincinnati—have also passed such laws.

As applicable laws and regulations related to pay transparency vary based on jurisdiction, employers must consider their legal obligations. This involves any jurisdiction where their employees physically work. Some jurisdictions' laws only require employers to provide pay ranges if the candidate requests it; others, like California's recently enacted pay transparency law, require employers to disclose this information up front.

Even if an employer is in a jurisdiction that does not require pay transparency, it may be beneficial to provide pay-related information since employees and applicants are more frequently demanding it. To meet employee desires, employers should consider implementing practices—such as publishing

pay scales for their open positions or hosting informational training sessions on pay-related topics—and updating their employment policies accordingly.

2. PAID LEAVE

In 2022, many states and localities enacted paid leave laws. This year, several previously enacted leave laws became effective in various states and cities throughout the United States; many other states have recently proposed paid leave legislation. These laws ensure workers continue receiving a portion of their wages when they're unable to work under certain circumstances, such as due to illness or the birth of a child.

Because of the increasing number of states and localities adopting paid leave laws, employers need to ensure their leave policies are current and comply with local laws. It is critical to review existing policies to confirm they conform to state and local regulations of the location where employees physically work.

Additionally, an employer's leave policies can clearly explain when employees are eligible for paid leave and any steps they must follow to request it. Employers should also verify their leave policies do not unintentionally discriminate against employees based on a protected class.

3. EXPENSE REIMBURSEMENT

Federal law requires employers to reimburse employees for expenses that cause an employee's pay to drop below the federal minimum wage. However, some state and local laws require employers to reimburse employees for work-related expenses, such as telephone or internet fees, office supplies, and heating or cooling costs. Employee expenses are considered wages under several state reimbursement laws and are subject to the same timing requirements as wage payments.

The number of lawsuits claiming employers failed to reimburse employee expenses is quickly rising, so it's vital that employers ensure their reimbursement policies comply with state and local laws.

Additionally, when employers reimburse employees for office equipment or devices, it may create issues about who owns the item. Employers should consider reviewing their reimbursement policies to ensure they cover the following:

- Explain what expenses are reimbursable.

- Outline the timing of reimbursement payments.

- Establish who owns the device or equipment.

- State what happens to the device or equipment when the employment relationship ends.

4. MARIJUANA USE AND TESTING

Medical marijuana use is currently legal in 37 states, whereas recreational use is legal in 21 states. Many of these states protect employees from being terminated or denied employment opportunities due to off-duty, recreational marijuana use. Furthermore, President Joseph Biden issued a presidential proclamation in 2022 pardoning federal convictions of simple marijuana possession offenses. President Biden also called upon governors to pardon simple state marijuana possession offenses.

Employers must ensure their marijuana use and testing policies comply with state regulations where their employees physically work. Employers who do not employ any workers in states where marijuana is legal can decide whether to screen employees for marijuana and how they will respond to a positive test result. This procedure should be clearly explained in the employee handbook.

5. REMOTE AND HYBRID WORK ARRANGEMENTS

Many employers embraced remote and hybrid work out of necessity at the outset of the COVID-19 pandemic. While employers have continued to allow employees to take advantage of flexible work arrangements, many have not updated their employment policies to adequately address these arrangements.

REMOTE AND HYBRID WORK POLICIES CAN SET CLEAR EXPECTATIONS SURROUNDING EMPLOYEE WORK HOURS, COMMUNICATION, AND PRODUCTIVITY.

Some employers have invested in technology to digitally monitor remote employees to ensure they stay productive. However, in certain situations, employers must inform workers with written notice that electronic communications are being monitored and obtain their consent. For example, the Electronic Communications Privacy Act of 1986 prohibits employers from intentionally intercepting electronic communications unless they do so for business purposes or employees have provided prior consent. Some state and local laws also require employers to disclose to their employees that they're being monitored. Accordingly, employers must ensure their remote and hybrid work policies comply with data use and employee privacy notice requirements.

In addition to covering privacy and monitoring laws in their handbooks, employers should consider adding technology guidelines and requirements to their employment policies to account for remote and hybrid work arrangements. This can help organizations protect against cybersecurity threats. For example, employers may decide to require employees to use multifactor authentication on their personal devices for work-related matters.

SUMMARY

Outdated policies can often expose organizations to unnecessary legal risks. Regularly reviewing and updating employment policies is an effective and cost-effective way for employers to protect themselves. By understanding the most important policies to review in 2023, employers can take steps to ensure their employment policies are current and reflect the most recent regulatory developments. +

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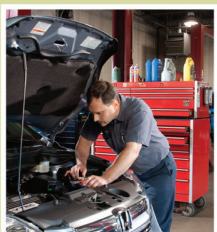
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