

As seen the week of:

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## Questions & Answers

*Joe Plumeri marked his sixth anniversary in October as chairman and chief executive officer of Willis Group Holdings Ltd. During that time, he has been at the center of a whirlwind of change and growth at the 178-year-old brokerage. He spoke recently with Business Insurance Editor Regis Coccia about what he has learned and where he's taking Willis.*



## Flying the Willis flag

**Q: What achievements are you proudest of during your tenure at Willis?**

You've always got to be proud of results and the stock price, but I am most proud of the culture that we've built here. The Willis (lapel) pin means a lot to us here. The culture is one where people work together, it's cooperative. "One flag" means something. Being a global company is insignificant if it's just about flags and countries, because then it's nothing but a geography lesson. What's significant about being a global broker is that everybody around the globe works with each other in the best interest of the client. I talk to a lot of clients and they tell me, "The way you cooperate with your people is unbelievable." I have to say the culture and the way people work together in this place is just beautiful to watch. There's no more beautiful sight than people who are very good at what they do enjoying working together, all going in the same direction with the same dream. That's not what I found when I got here.

You don't get long-term results without building a culture. You

can get results on a short-term basis, but unless you build a culture, that's the sustainable model over time. I'm very proud of that. As I read my history books about this business, that's rarely been accomplished at a global company. It's the sense of enthusiasm, the sense of communication, the idea that it's more fun to high-five each other than high-five yourself. I'm proud of the fact that within the bounds of that culture is a sense that it's demanding and people are accountable, and it's harder. You can't be great and it be easy. By that definition, everybody would be great. I'm proud of the fact so many Willis associates accept that sense of accountability. It's a terrific tribute to our people, and I'm proud of them. You can have great people, which we have, but if they're not playing together, you don't have a great company. And the point is to have a great company.

**Q: You came to this business from a successful career in banking. What were some of the biggest surprises you found about the insurance business when you came to Willis?**

Some of the things about the industry are archaic. The technology is extremely archaic. There's a lot of paper and processes that were thrown out of other financial services industries. I remember the system I got rid of when I ran Smith Barney in 1993 because it was outdated—that kind of system was being installed here when I arrived. When I got to London, I saw all these people with (folders) under their arms and I asked, "Where are you going?" They said, "We're going over to Lloyd's to place business." I'm thinking, to trade a million shares you pound on a couple keys on the computer, and these guys are walking over there. What happens if you drop it? The database has just dropped into a puddle. That was kind of archaic to me, and I think remains so and needs to be fixed. The lack of a sense of purpose of what we do here was surprising. It seems to me the whole purpose of insurance is, God forbid something bad happens, somebody gets paid. The amount of time it takes for claims to be paid is insane. The same is true with regard to why it takes so long to get a policy issued. I was surprised that the essence of the business—which is, simply put, "Tell me what I paid my premiums for and then when something bad happens, where's the money?"—we don't get that part right.

I also was surprised that the sense of company, the sense of pride in a company, took a back seat to individualism. The trick is to get a bunch of entrepreneurs who are very good at what they do to give a little up for the team. I was struck by that. I never heard the word "silo" in the securities business or the banking business until I got into the insurance business. It was never used in banking in the context of individual businesses operating unto themselves.

That was surprising to me, which spoke to the issue of building great cultures.

I gave a speech at Lloyd's about the future of the industry before (New York Attorney General Eliot) Spitzer. I said, "Regulation and compliance will soon be around the corner." This was the only industry in financial services that really hadn't been regulated yet. This is the only business I've ever known where you shake hands and figure out later what you shook hands about. I use the analogy that I'd never give a loan at Citibank without telling people, "I'm not giving you the money until we agree on what the terms are."

I was also stunned that people, generally speaking, did not display as big a sense of pride as I thought they should about being in this business. Before I got in this business, people would say "it's boring." That couldn't be further from the truth. It's exciting, certainly more exciting than anything else I've done in financial services. People should take a great deal of pride in doing what they do. The world would come to a complete stop if it weren't for insurance. We don't do a great job in PR, in my opinion. They're playing jazz again in New Orleans and I don't think they'd be doing that without the insurance industry. They're going to build a couple more buildings where the World Trade Center used to be, and that wouldn't have happened without the insurance industry. You look back at all the major calamities and issues in the world and right in the middle of all that rebuilding of lives, communities, hopes and dreams is the insurance industry. I don't know why we don't say that more.

**Q: From a regulatory standpoint, the United States is a patchwork quilt. How would you like to see the U.S. insurance regulatory system change?**

The fact that you have 50 state insurance commissioners disallows the debate on a national basis as it relates to national flood insurance, catastrophic insurance, terrorism. There's no federal sponsorship of these issues. It goes back to the issue of policies being delivered on time and claims being paid. The Securities and Exchange Commission tells the securities industry, if the trade takes place on Day 1, then by Day 3 you have to settle it. The Financial Services Authority in London now requires everybody by Jan. 1, 2007, to be "contract certain," which means policies have to be delivered within 30 days of inception. I think the SEC of insurance would have the ability to do that, so I'm very much in favor of that.

If a hurricane of Category 3, not 5, hit

New York, it would be \$300 billion of damage against an industry that's maybe got \$500 billion or \$600 billion of capacity. That's not going to work. But it doesn't matter to some commissioners because they're in areas where it might not occur or affect them directly. What's been bandied around is an optional federal charter, where you decide whom you want to govern you. That works very well with banks.

**Q: What distinguishes Willis from the other brokers that are also trying to serve clients and find solutions to their business problems?**

It's the culture that distinguishes us. The people working together is, I think, our biggest advantage in an industry where, from a global point of view, it's not something with which people distinguish themselves. We've got all these resources, but if the resources are not delivered locally in a cooperative way, then you lose your advantage. That's the biggest thing we do, and we deliver that through a client advocate. The advocate knows everything about your business and talks to you about all of your issues and your problems and then finds the solutions to your problems by calling and drawing upon on all the resources of the company all over the world, delivered to you locally. You've got the best of two worlds: I've got my client advocate who I know, I see at the deli, in my town, but through that advocate, I've got the world that unfolds. That's why the cooperativeness and the one-flag approach really works. We really look forward to seeing every quarter if our revenues have grown more than everybody else's. We're very competitive, but we all work at it here. This is a sales organization, and it's tough to distinguish that from a brochure. We track our service levels and the things our clients value. Our communication processes are better than anybody else's, and most of us are owners of the company.

**Q: One of the things that's different about Willis is the lack of a defined consulting operation. Is that by design?**

That's what you're supposed to do. I was once getting my shoes shined and I said to the guy, "How long have you been shining shoes?" And he said, "I don't shine shoes." He's got all this elaborate stuff in the middle of an airport. I asked, "What do you do?" He said, "I'm a shoe-ologist." "You're a what? What the heck is that?" He said, "I consult you about your shoes, whether you need new laces or not. I'll repair scuffs, tell you about your heels, your soles. That's more than just a shoeshine person, but I'm

going to charge you for the shine."

If I start up a consultation department, I'm telling my brokers "Just place the transaction. You're the commodity and you're the people with the brains." That's ridiculous. That's why, on purpose, we don't have a consulting operation. In our relationship with our clients, this much time (Mr. Plumeri spread his arms) is spent talking, consulting, advising. That much time (fingers close together) is spent placing the business. We are brokers, we are advocates for our clients. That means we will do what we need to do to solve their problems. The definition of value is basically the difference between what you can do for yourself vs. what I can do. If there is no gap between those two things, then there's no reason for you to pay. So how can I create that gap or define that gap if I am bifurcating the value proposition? I look at ourselves more as a professional services operation, which doesn't differentiate between what the consultation phase is from the transaction phase. The whole experience should be valuable, from advocacy, advice, consultation, transaction, policy, claims paid, service you get from Willis—all value. If I do that correctly, then price should never be an issue. Price should only be an issue in the absence of value.

**Q: In June, Willis announced a Willis Quality Index to benchmark the service and claims-paying ability of insurers. What's behind this initiative?**

This is not an initiative where we're the sheriff and we're looking to find insurance companies that don't do the right thing. This is an initiative where we're trying to work with the insurance carriers that are our partners because we need them to underwrite business. We want to see where we can find, by a measure along a lot of different categories, where they can improve in the service of our clients. You can't do that unless you create some sort of an index to see where you stand. What can we do to work together? As we're working together along the lines of how quickly you're paying claims or how quickly you get the policies out, that then determines the level of our relationship. It's to help them do that, not for us to say "Aha, gotcha." That's not what it's about. It raises everybody's game.

The whole idea for everything we do in this business is to be aspirational and heroic, which is to say raise our game. That's what Willis is all about. That's what Chapter 3 is about: It's called Shaping Our Future. It's not about yesterday, it's about tomorrow. It's not about memories, it's about dreams. That's why we're selling

our building in London. That's a memory, that was yesterday. The new building, that's tomorrow. Chapter 1 was about execution and performance—going from a (leveraged buyout) to our IPO—building our sales culture and working together to build shareholder value. Chapter 2 was about making investments for our future in what was a very chaotic market in 2005. These chapters were about putting strong financial and cultural building blocks in place at Willis and now that we've got those, we're looking ahead to taking Willis from a good, distinctive company to a great company, with breakout growth and performance.

**Q: The new London building at 51 Lime St. is due to be completed in 2008. What will that symbolize to Willis clients and associates?**

First of all, the old building didn't work because it didn't house all of our people in London. The very essence of our culture, which is synergy, cooperation, collegiality, working together, was not physically symbolized in London, where we had 750 people in one building and 750 in another building. It was nice to look at, but it was not functional. The whole idea of the modern Willis is execution. It's not about form; it's about substance. Being in a building together will give us a greater ability to help our clients and help people talk more, exchange more and facilitate a better execution for our clients. It also suggests that we made our mark, where we always made our mark, in London, which is a big deal. We think London is a great financial market and becoming even more so. The fact that it's across from Lloyd's suggests a continuing relationship and support of the Lloyd's market. So it's symbolic of a lot of things. We're known for our frugality and somebody suggested that we're getting away from that because we're building a trophy building. We got a great price for our building in London, over £100 million (\$191 million). People said we couldn't do that, but we did. It gave us money to make investments for the future. It did a lot of things that not only were functional and executorial but also financial, and it kept us where we should be, which is right in the middle of the financial and insurance markets in London.

**Q: Europe as a unit is a very mature market. What are Willis' strategies for growing in Europe or taking advantage of opportunities you see there?**

As you know, part of our core business is the great specialties we have in London:

aerospace, marine, construction, our niche businesses, fine art, jewelry, bloodstock businesses. These are leading businesses around the world and represented in London. We have a great retail operation in the U.K. and Ireland. We're the leading broker in Scandinavia, obviously one of the leading brokers in Europe. Gras Savoye, who we now own 38% of, is the 12th largest broker in the world and the largest in France, and gives us another 26 countries that we're not in. When we have an opportunity to buy them, by contract in 2009, we'll be doing so. In Spain, Germany and Italy, we're doing a wonderful job in all of those areas, plus in a lot of Eastern European countries, like Poland and the Czech Republic...we've really made our mark. Europe is a very important market for us. Just because we've been there a long time, it's at the top of our list as it relates to growth.

What's wonderful about Willis is it's an old company but it's new. It's been around 178 years, one of the oldest brokerages in the world, but there's not a sense of dust about it. There's a sense of newness about it. I look at Willis as a six-year startup, not because I'm arrogant enough to say that six years is when I got here. But when you can have a startup with all that infrastructure and all that history, that's a heck of a deal. That's the way we look at it. We don't have any baggage. We don't say, "We always did it that way." We've got so many young, vibrant, aggressive people in the place, but we've got that history. If you can use history to build on, rather than use it as a jailer, those are the best circumstances in the world.

**Q: Whom do you most admire in business and what people have had the biggest influence on your career?**

My biggest mentor and a person I admire the most is my father. The guy never stopped. He was never down. He was the most optimistic person I ever met and he was fun to be around because he always talked in positive terms. You never did anything wrong, you only did things right, and there were only degrees of right with him. We owned a minor league baseball team together, the AA franchise of the Yankees. We'd get beat 16-0 and he'd go in the clubhouse and say, "Shake it off. They got all the breaks." That was his attitude. He also was a dreamer. I can remember him saying, driving down a highway, "See all this land, Joe. One day it's going to be shopping centers." Sure enough, there are shopping centers there now. Where the baseball park we built in Trenton (N.J.) was a garbage dump. Millions of people saw it

as a garbage dump, but he saw it as a baseball field.

The sense of keeping positive and keeping people upbeat is very important in terms of what you do in your leadership style. Most of the people, unless you're in a small office every day and you see everybody, you have to set a tone in the place that's as electric where you are as where you're not.

I've been around in my business career. I worked with (retired Citigroup Chairman) Sandy Weill for a long time. There were a lot of executives who worked in what is now Citigroup that I had the pleasure of being in business with, that I learned a lot from. These people went on to be great in business, and I was in the environment with them. Early on, people like Arthur Levitt, who went on to become chairman of the SEC. Jamie Dimon, who runs JP Morgan Chase now. Others who were from my stock brokerage and banking days have moved into insurance, like Jay Fishman at St. Paul Travelers, and Frank Zarb and Bob Willumstad, who are at AIG. You can't help but learn great things. I wouldn't call them role models specifically, as in a person like my father, but I was just a person in the neighborhood with them. And that's got to rub off on you. I was blessed because I was with Citigroup so long, I witnessed and was part of a lot of stuff. I met a lot of great people. But there's no question everybody has their own style. My style was shaped mostly by my father. He just never thought something was not possible, and I believe the same thing.

**Q: As the chairman and CEO of a public company, you've got a lot of demands on your time. How do you relax and kick out of gear when you're not thinking about Willis?**

I don't consider what I do every day as work. I never say, "I'm going to work." I never say, "I'm going to the office." My granddaughter, who's 4½ years old, says, "Pop-Pop, where you going?" I say, "I'm going to have fun." When I talk to her at night, she asks, "Pop-Pop, did you have fun today?" "I had a lot of fun today." Look, I'm 63 years old. I travel a lot, I'm engaged a lot. Why would I do this if this isn't fun? There's no sense of I'm going to do this until 5 o'clock and then I'm going to do that. It's a continuum. I get a kick out of people who say, "I'm going to retire in five years." Do you love what you do? They say, "Oh, Joe, I love what I do." If you love what you do, how can you predict when your heart's going to run out? You can't predict when you're going to re-

tire without predicting when your heart's going to run out. One day you're going to get up and the passion's not going to be there. That's not predictable. I'm the kind of guy who is going to keep doing this until I'm not passionate about it. This relaxes me. Everything I do is a continuum to me. It isn't work, play, relax, this or that. Look at the places I go and the things I've done. Two years ago, I'm in Beijing, an Italian kid from the neighborhood in Trenton, N.J., with the head of the People's Insurance Co. of China and I'm overlooking Tiananmen Square and he's talking to me about things he had to do to go public. I'm saying to myself, "This is interesting, an Italian kid from Trenton, N.J. This is great. This is fun." I've got a million stories like that of the things that I do.

**Q: You've been outspoken on contingency payments and Willis was the first broker to say it would cease accepting them, but now Marsh, Aon and Willis have all revised their agreements with the attorneys general so they can accept payments when they act as managing general agents. Not everybody understands the distinction. How have you explained this to clients?**

We haven't had any questions about whether we've changed our stance at all.

I've been on record as saying, even when I gave my RIMS speech a couple years ago, as long as you tell people who you represent, that's fine. My issue is the conflict that you have while representing one person and getting paid by somebody else. The issue at hand here is not the obvious one. By the way, I am on record as being against them before Spitzer. I thought they were props in the industry, and people said, "Why didn't you give them up then?" Because I would've put my company at a competitive disadvantage if I did. The deal is, we need to embrace the client/broker relationship in such a way where my sole form of compensation and growth comes from how you the client evaluate me. If that breaks down and I'm getting paid all over the place, I am never going to break my back to be creative, imaginative and work really hard to make sure I do a great job for you. So if I'm totally focused on you, then what's going to happen? I'm going to do everything I possibly can to earn your trust, to exemplify the value that I give and that's going to manifest itself in the way I get paid. That's why I'm against contingents. If I'm getting paid over here, then I don't have to work that hard. I can work just enough to keep your business because I know they'll pay me over here. We also start to get into the

whole idea of fees and I can charge you less because they're paying me over here. It breaks down the pricing structure of the industry and that's not good for anybody. If I can keep the integrity of that relationship and you be my evaluator and you tell me what I'm worth, then I'm going to work really hard to do the things I have to do to make you proud of me. That's value, that's transparency and that rising tide will lift all boats.

I think contingencies will have to be regulated away. I continue to speak about them, make noise about them and I'm going to continue to do it as long as I'm standing. That's the fabric of why I don't like them, because it breaks down where the relationship should be. That breakdown stifles creativity and stunts growth in the industry. When a client says, "I don't care if they get paid a contingency," I say, "Are you kidding? You ought to care." Contingencies represent too much of many companies' revenue stream for them to give them up. It will only change by regulation.

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