

Connecticut's IFS Cluster: Collaborating to Protect and Grow an Industry

By Harry J. Lew, MBA

New Jersey's Prudential Financial gobbles up Connecticut's American Skandia for about \$1.2 billion and the retirement business of CIGNA Corp, based in Hartford, for \$2.1 billion.

Hartford's Travelers Property Casualty and The St. Paul Companies, Inc., of Minnesota, combine in an industry-shaking \$16.4 billion stock-for-stock merger.

UnitedHealth Group buys Trumbull's Oxford Health Plans, Inc.

Bank of America acquires FleetBoston for \$47 billion, and Banknorth of Portland, Maine takes over New Britain-based American Savings Bank.

As the ominous drumbeat of consolidation echoes across the state, along with mounting concern over outsourcing jobs abroad, one also hears a new sound—the sweet, hopeful music of executives collaborating to protect and grow Connecticut insurance and banking industry, under the aegis of the new Connecticut Insurance and Financial Services (IFS) Cluster.

“The insurance and financial services industry nationwide—and here in Connecticut—is in a state of transition,” says Robert F. Flynn, the cluster's executive director. “However, now that we have a cluster mechanism, we can proactively tackle the threats and capture the opportunities presented while this transition unfolds. The outcome will be a stronger, more vibrant industry and broader awareness of Connecticut as an IFS center of excellence.

“Each of the recent consolidations is a key event for metro Hartford and for the state of Connecticut,” adds Flynn. “There's a huge impact on human resources. Then there's the community involvement issue. What will happen to corporate charitable resources? Plus, there is a big impact on vendors who serve local IFS companies. For example, if the merged entity decides to migrate IT systems outside the state, what happens to our local systems people?”

Since Flynn's appointment to lead the Cluster late in 2002, it has evolved from silently planning its approach to enthusiastically singing the praises of Connecticut on the national stage. And although the Cluster's 18 IFS members are competitors, they've seen

the value of cooperating to create a more vibrant industry in the state that creates opportunity for all.

“We couldn’t have had a better first year as a voluntary organization,” says John Kim, president of Prudential Retirement, formerly known as CIGNA Retirement and Investment Services. “Given how eclectic our members are and the fact that we all have day jobs, I would give the cluster initiative a grade of A for its first year.”

R. Nelson "Oz" Griebel, president and CEO of the MetroHartford Alliance agrees. “All of us are pleased with the progress so far. We’ve made significant strides on our original goals,” he says, especially in the areas of workforce development and of promoting the region and state as a great place for IFS firms to do business.

The IFS industry accounts for nearly 14% of Connecticut’s gross state product. In Metro Hartford alone, IFS companies provide nearly 70,000 jobs—or one in 10 jobs overall. Given the industry’s importance to the region and state, Flynn adopted a multi-focused strategy to creating tomorrow’s opportunities. “Growth is contingent upon us having a strong industry base, relevant educational opportunities for new and existing IFS employees, and proactive government support in the form of appropriate tax and regulatory policies,” says Flynn.

Before joining the cluster, Flynn had a diverse career in both business and government. He was vice president of strategic business development at Direct Advice, a financial software development firm. He also served as director of strategy and capital management services at Aetna Financial Services and was a manager at Deloitte Consulting. Prior to entering the business world, Flynn was an intelligence officer with the Central Intelligence Agency.

As director of the IFS Cluster, Flynn wields his IFS knowledge, strategic insights, and political skills to build diverse partnerships between industry, government, and higher education. Beneath’s Flynn’s engaging personality lies a sharp strategic mind and an uncanny instinct for building alliances that produce results.

According to Flynn, the IFS Cluster is focused on three separate, though interrelated, initiatives:

- Developing the state’s IFS workforce
- Building legislative and regulatory support
- Promoting the state and region to IFS decision-makers in other states

Although each of these efforts is important in its own right, workforce development is the soloist at the front of the choir. “At the highest level, the long-term goal of the cluster is talent acquisition and talent retention,” says Prudential Financial’s John Kim. To that end, Flynn has studied the industry’s needs for new talent and has asked his members to identify skill gaps. He then opened discussions between the industry and the state’s

higher education institutions to determine how to expand the new-employee talent pool and to remediate skills gaps among existing employees.

“Talent is the foundation of a strong industry,” adds Flynn. “We need to constantly improve Connecticut’s workforce—as well as its business climate—to nurture innovation, entrepreneurial activity, and growth.”

The collaboration between Hartford’s Capital Community College and the IFS cluster is a case in point. Flynn helped to create two programs—one targeting entry-level customer service employees and the other focused on information-technology workers—that should help IFS companies achieve business results through cost-effective investments in human capital.

Connecticut’s IFS companies have a ravenous appetite for customer service talent. These employees staff call centers and respond to IFS clients of many stripes: holders of savings accounts or mortgages, buyers of annuities or life insurance policies, employees making contributions to 401 (k)s, etc. The service reps must have basic business savvy, understand how financial products work, understand key service transactions and systems, and be able to respond to customer needs and complaints with unflinching professionalism. Not surprisingly, finding and training such people isn’t easy.

Capital Community College already had a well-regarded customer service training program: the Customer Service Institute of Connecticut. But this program prepared students for generic call-center jobs, not for jobs with insurance companies or banks or health insurers. For example, it did not provide specific training on insurance products or on financial concepts such as interest and the time value of money. Enter the IFS Cluster.

Flynn recruited a committee of IFS training and HR executives to review the CCC curriculum and to make recommendations to the college. “Thanks to this committee,” says Linda Guzzo, Dean of Continuing Education & Economic Development, “we have upgraded the basic curriculum so it meets IFS company needs.” Enhancements include more training on financial products and concepts, on HIPAA-mandated confidentiality requirements, and on getting students ready to take the arduous National Association of Securities Dealers (NASD) Series 6 and Series 7 exams.

So far, according to Flynn, 112 students have completed the programs and 12 have completed their NASD preparation course. The next step: to get them placed in IFS jobs, at which point they can sit for the formal NASD exam and begin their company-specific training. And that’s when the band begins to play.

Each CCC student hired will represent an immediate \$1,000 savings to companies since they don’t have to send the students out for NASD test preparation. What’s more, the training on financial concepts and products provided at CCC will reduce a company’s in-house training by anywhere from two to four weeks, notes Flynn. Plus, companies anticipate immediate productivity gains because CCC graduates will have more

knowledge of the industry, its products, and customers than do candidates who enter company training programs cold.

“The IFS customer service training program hasn’t had a big impact yet on our company,” says Cathy Spera, a staffing consultant with Travelers Life and Annuity and head of the IFS committee that helped to design the program. “But we are optimistic it will over time. We hire anywhere from 80 to 120 customer service reps a year, so we are definitely looking for ways to increase our pool of qualified applicants. In the future, we expect CCC to be one of the places we’ll go to for new employees.”

The IFS Cluster’s efforts to help its members hire trained customer service reps is a winning three-part harmony.

First, the companies get trained workers they sorely need. “Prior to our work with CCC,” says Flynn, “We didn’t have a CT-based program for IFS-specific customer service training. Now we do.”

Second, Capital Community College wins because it gets to forge stronger linkages with the regional IFS industry, which help it keep its programs relevant and provide job placement opportunities for its students.

Third, the students get on a fast track to landing good jobs in the industry. And the prospects of them doing so are high, since customer service is projected to be one of Connecticut’s fastest growing occupations. According to the Connecticut Department of Labor, the number of customer service jobs in the state is expected to increase 20 percent from 2000 to 2010.

In addition to customer service training, the IFS cluster helped to design Capital Community College’s Information Technology Center of Connecticut (ITECC), an educational initiative designed to upgrade the skill sets of local IT employees.

Flynn used the same basic approach with ITECC as he did with the Customer Service Institute: build bridges between an institution of higher learning and business leaders to fill skill gaps on a cost-effective basis.

With the advent of Web-based technologies, IFS companies discovered they didn’t have the technologists they needed to meet current business needs. Yet advanced training opportunities were not always available locally. Or if they were, a company might have to wait for an open-enrollment program to generate sufficient attendees, instead of being able to get people trained on demand. What’s more, companies often had to send employees out of state for training, which increased travel time and expense.

“IFS companies in the region lacked a comprehensive, cost-effective means of training their IT staffs here in Connecticut,” says Flynn. No longer.

Since its inception, ITECC has provided courses such as Introduction to Web Services, Cisco networking, Oracle 9i, IT Business Requirements, IT Project Management, Visual Basic 6.0 (Intro and Advanced), several Java courses, and Intro to DB2. On tap are courses on SQL Server 2000 Database Design and Implementation, VB.NET for Developers, XML, Struts, and IT Business Consulting.

To date, ITECC has trained 244 IFS employees. And because the program is supported by U.S. Department of Labor H1B grants, companies only pay for 50 percent of course tuition; the U.S. government picks up the rest. In all, IFS companies have achieved training cost reductions of nearly \$600,000 by sending their people to ITECC.

“ITECC has helped us save on travel costs and allowed us to offer training more often,” says Mitch Stein, director of the CIGNA Technology Institute in Bloomfield. “This helps us achieve productivity gains more quickly.”

For Stein, who co-chaired the IFS Cluster’s IT Education Advisory Group, the benefit of collaborating goes beyond getting more employees trained at less cost. It also helps to create a self-reinforcing dynamic in which a more capable workforce attracts more IFS companies to the region and state, which in turn attracts more talented employees, which draws more companies, and so on.

John Kim, the Cluster’s industry chairman, concurs. “It’s paradoxical,” he notes. “You don’t want to lose your employees to competitors, but having other companies around serves to strengthen the whole industry.”

In short, companies can use the IFS Cluster to cooperatively develop the region’s workforce so they can ultimately compete with each other to snare the best fish in a much larger talent pool. “That’s the beauty of what we’re doing,” says Stein. “We are cooperating, but we are competing also.”

Mike Herlihy, president of InsurBank, in Farmington agrees. “There is a very rich talent pool in southern New England for finance and insurance. It’s a good idea to join forces as an industry to develop everyone’s capabilities.” Established in 2001, InsurBank is a Federally chartered savings bank developed jointly by the Independent Insurance Agents & Brokers of America and Connecticut’s W.R. Berkley Corporation. It provides comprehensive bank deposit, lending, and cash management services to insurance agencies in at least 20 states.

Soon, thanks to Flynn’s bridge building, the 18 IFS companies will have a new source of risk management and insurance talent: the UCONN School of Business in Storrs. UCONN had a program on the books for years, but it had grown stagnant. Sensing an opportunity, Flynn partnered with Tom O’Brien, chairman of UCONN’s Finance Department, to breathe life into the program.

Says Flynn, “IFS companies need people who can assess and manage risks. That’s what everybody does around here.” Problem was, Connecticut needed additional risk

management training at the undergraduate or graduate level. If you wanted to study this discipline, students often went out of state to Wharton, Georgia Tech, or the University of Wisconsin, among other schools.

“So the IFS cluster decided if we wanted to be known as a center of excellence for the IFS industry,” adds Flynn, “we needed to have a more robust approach to risk management education, with a broader scope and reach.”

Job one: rebuild UCONN’s RMI curriculum. Flynn and his Cluster executives provided input on what the industry needed, and O’Brien and his academic colleagues listened and responded to their concerns. “With this alliance, we changed the dynamic so that businesses had an opportunity to shape the curriculum. This was a very healthy process,” explains Flynn.

The result: enhanced courses such as Introduction to Risk Management and Insurance, Risk Management in Healthcare, and Life Insurance. New courses are also in the works on employee benefits and on health insurance.

To help beef up its RMI teaching capacity, UCONN hired a full-time faculty member, John Vernon, to focus exclusively on RMI topics. With a Ph.D. from Wharton, Vernon brought serious cachet. Also adding luster is George Reider, the former Connecticut insurance commissioner, who will teach an MBA course on insurance regulation. Rex Santerre, a health economics expert in the UCONN Finance Department, will also be teaching in RMI courses.

Apparently, the UCONN SBA student body likes what it sees. Declared RMI majors increased from eight to 30 in just one semester. “This is a strategic advance,” says Flynn. “Now our member companies don’t need to lure risk and insurance graduates here from Wisconsin or Georgia. They now have another option right up the road at UCONN—or the Risk Management program at the University of Hartford.”

“This is tremendously positive for our region because the more people who study risk and insurance here, who then find IFS jobs here and end up living here, the greater the economic vitality of our IFS industry, region, and state.”

Sure to increase the vitality of Metro Hartford is the new UCONN facility in downtown Hartford. Beginning this fall, the Constitution Plaza site will house UCONN’s Executive MBA program, formerly located at the UTC Executive Center in Farmington, and the Evening MBA program located at UCONN’s West Hartford campus. Joining these two operations will be the much ballyhooed Financial Accelerator, a state-of-the-art facility that will use allow students to work alongside company financial executives and UCONN faculty to apply technology to current financial-market and trading issues.

The Accelerator will include an actual trading facility, using real market data provided by NASDAQ. Part of the space will be used by an equity trading firm; the rest will be used by UCONN students. “The Accelerator is very much a joint venture between UCONN

and local companies,” says Rob Hoskin, UCONN SBA’s director of executive programs.” Companies will sponsor projects and study teams of MBA students will work with the company and faculty to complete the project. There will be a real payback to both the companies and the students who do the work.”

Says Bob Flynn, UCONN Downtown is “a great opportunity to further integrate the IFS industry with UCONN and vice versa.” To that end, he has facilitated meetings to make sure the facility offers a broad range of programs to build the knowledge and skills of IFS employees. Key offerings on tap: open-enrollment and company-specific executive education seminars, and speakers—all within easy access to IFS employees downtown.

Although Flynn has worked primarily with UCONN and Capital Community College, he is now building alliances with other higher education institutions such as the University of Hartford, Central Connecticut State University, Trinity College, Fairfield University, and others. “I’m trying to use the IFS Cluster to bridge the void between academia and business,” says Flynn.

And that’s been the theme of the IFS Cluster initiative to date. Getting competitors to collaborate. Business people and educators to share notes. Government policymakers to see things from the perspective of people who make policies of an insurance kind. And out-of-state executives to see the benefits of a Connecticut presence. Putting all these players into the same forward-looking band hasn’t been easy. But Bob Flynn thinks the music is starting to sound pretty good.

Harry J. Lew, MBA, is a Southington-based marketing and training consultant and business writer. He has extensive experience in the insurance and financial services industry.

Sidebar #1

IFS Cluster: Fostering a Business-Friendly Environment

In its first year, workforce development was a major theme of the Connecticut IFS Cluster. Equally important was the goal assuring appropriate taxation and regulation of Connecticut's IFS companies.

Flynn has argued for legislative action on health care cost containment, including the passage of a medical malpractice package, a reduction in health insurance coverage mandates, and the liberalization of certificate of need rules.

Regarding taxes levied on IFS companies, Flynn has begun to engage the legislature to consider rethinking the application of sales and use taxes on Connecticut corporations. "None of our contiguous states levy a sales and use tax on corporations," notes Flynn.

He is also urging the legislature to revisit its IFS job-creation incentives. The state's Financial Services Export Zone should be revised for more impact and benefit, says Flynn, as should the Insurance Reinvestment Act. Connecticut should also do a much better job of supporting entrepreneurial activity to enhance job creation.

Beyond these specific measures, Flynn says it's important to keep beating the drum on behalf of the IFS industry in Connecticut. "We're building relationships with state leaders to support change on a number of fronts. We've forged relationships with the commissioners of insurance and banking to help them understand what needed to advance the IFS industries in this state."

Sidebar #2

CT IFS Cluster: Promoting Connecticut on the National Stage

Perception isn't always truth, but it definitely is reality. And the reality is corporate leaders and site-selection consultants don't consider Connecticut to be a prime location from which to do business.

In part, that's because they don't view Connecticut as having a great business climate. According to Development Counsellors International, national business executives consider the South and the Midwest to have much better business climates than the Northeast has. And other states—Iowa is a prime example—have aggressively branded themselves as centers of excellence for the insurance industry.

But in the last year, the Connecticut IFS Cluster has begun to address the perception gap by. . .

- Flying the state flag at national industry conferences. This year, Bob Flynn, the IFS Cluster executive director, will attend at least eight major conferences, including those sponsored by the Risk & Insurance Management Society (RIMS), Life Office Management Association (LOMA), LIMRA International, the American Bankers Association, the Health Insurance Association of America, the Securities Industry Association, and real estate/site selection conferences such as CoreNet or Expansion Management Roundtable.
- Talking to more individual companies to make sure they fully understand what Connecticut has to offer. Bob Flynn and/or Cluster senior executives held such discussions with at least six major financial services companies this year.
- Trying to bring more IFS industry conventions to Connecticut so that conference attendees can see first-hand what Connecticut is all about.
- Designing an IFS Cluster web portal, which will give the promotion effort national and international scale.

Finally, and perhaps most important, the IFS Cluster has recommended the state hire a dedicated marketing and sales professional to attract IFS companies and jobs to Connecticut.

Like the efforts to develop the workforce and engage legislators, promoting Connecticut to national IFS executives is a joint effort of the IFS Cluster, Northeast Utilities, and the MetroHartford Alliance. “Promoting Connecticut to the IFS industry is not an event, but a process,” says Bob Flynn. Under Flynn’s leadership, major IFS firms are singing in unison for the first time in years.

Connecticut IFS Cluster Sponsors

- The Advest Group
- CIGNA
- ConnectiCare
- Department of Economic & Community Development
- Evolution Benefits
- FleetBank/Bank of America
- The Hartford Financial Services Group
- Hartford Steam Boiler Inspection & Insurance Company/AIG
- ING Group
- Lincoln Financial
- MetroHartford Alliance
- Northeast Utilities
- People's Bank
- Phoenix Wealth Management
- Prudential Retirement
- Sovereign Bank
- Travelers Life & Annuity/Citigroup
- St. Paul Travelers
- Uniprise/UnitedHealth Group
- Webster Bank