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# Negotiation — The Science of Empathy

by Richard J. Tucker

**N**egotiation has been a critical skill for me for most of my career. I've worked as a product actuary, represented a major distributor and now I'm a reinsurance intermediary. Technical actuarial skills were never my strength. However, I'm often able to get parties with differing goals to find a common ground, enabling a project to be completed to everyone's satisfaction. The parties may not, and in fact should not, end up feeling like the sole winner, but they shouldn't come out feeling like a loser either.

There are common tactics I've used in my negotiations. They are:

- Empathy
- Subvert your ego
- Avoid confrontation
- Preparation
- Understand the personal side

## Empathy

The dictionary's definition of empathy is "intellectual identification of oneself with another." Empathy is my negotiation equivalent of the real estate maxim — location, location, location. There are business tasks to be accomplished. Put yourself in the business position of the other party or parties. What do they need to accomplish? This is a good checkpoint on the viability of the discussion. If the groups' goals are diametrically and unalterably opposed, then it is better to recognize it early and move on. Persistence in the wrong situation can damage the relationship.

## Subvert Your Ego

A successful negotiated outcome can often be torpedoed by the desire to get public and personal recognition for the success. Typically the negotiator/mediator must subdue their ego to the successful completion of the task. Emphasize the contributions of the other party. Your professional and personal rewards will naturally follow as you become known as someone who can get things done.

## Avoid Confrontation

Successful negotiations should not have a loser, which is typically the outcome of a confrontation. Confrontation is caused by hardened positions. While you should work to avoid hardened positions, inevitably there will be occasions where they will have to be addressed. Provide the party with new or additional information to be considered. Don't ask them for a response right away. Give them time to consider the information and provide their response at a later time and venue.

## Preparation

Learn as much as you can about the other party's goals, concerns and interests before the discussions and negotiations begin. Do they have budget constraints or a staffing crunch? Can you develop an understanding of the internal political process that the other side's approval will have to go through? This knowledge can prevent you from going down a deadend path of negotiation, opening up more fruitful paths.

## Understand the Personal Side

We are talking about business discussions, but there is always a person on the other side. I've negotiated with other actuaries, marketers, salespeople, systems analysts, accountants and lawyers. Knowing a person's background often provides insight into their thought process. While the other party is not normally a friend, a good personal relationship will facilitate the discussion. Off-the-record discussions may lay the groundwork for subsequent on-the-record discussions.

I'll explain how I have used these processes to some of my own tasks.

As a product actuary, I was presented with a situation by sales and marketing. Our term insurance product was not competitive in a certain critical market segment. In this case, the market segment was small-business owners with the need for large amounts of inexpensive life insurance. They tended to be in their 50s and 60s.



*Richard J. Tucker, FSA, MAAA, is vice president of Ruark Insurance Advisors, Inc. in Simsbury, Conn. He can be reached at rich@ruarkonline.com*

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**My current situation as a reinsurance intermediary requires me to develop, structure and negotiate reinsurance capacity between a ceding company and the reinsurer.**

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- Get the listeners' attention. Wake them up!
- Present a clear message. Keep them awake.
- Rely on words, not formulas. Speak words, not the math artillery!
- Use examples for explanation. No proofs, just tell stories!
- Avoid getting lost in the details. Tell them about the forest; there will be time for trees and leaves later.
- Avoid relying on jargon. What does that GAAP mean?
- Encourage questions from listeners. If one person has a question, there are 10 other people are too afraid to ask the same question.
- Frame issues to show your reasoning. Your thinking counts!
- Build a case for what should be done. You can and should recommend a decision!
- Be assertive, not passive. With all that math power, why not be the boss?
- Reaffirm your working relationship with listeners. Be a member of the team!
- Demonstrate your business savvy. Know your business!
- Use communication to set yourself apart. How do non-actuaries spot a good actuary? It's the one who communicates! □

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As the discussion progressed, I explained what product features and structure were expensive. A single set of YRT rates had to be adequate to cover the expected mortality of newly underwritten lives, as well as lives underwritten many years ago. Marketing and sales was able to narrow the issue age range of the new product to mitigate this problem. The privilege to convert a term policy to permanent insurance without underwriting was also expensive. Marketing and sales was able to more specifically define and shorten the number of years for the conversion privilege that this target market required. To a stranger, the parameters of the new product looked a bit strange, but it suited the target need very well.

The resulting sales were favorable and the product profitability was acceptable. Each side was able to empathize with the needs and constraints of the other, the winning outcome was the product that was needed and the discussion took place without any confrontational grandstanding by either side.

When I represented a major insurance distributor, I was often called upon to negotiate arrangements with major insurance company manufacturers. Having been a manufacturer in the past, I was able to empathize with the insurance company. The process needed a negotiator to accomplish what was to both parties' benefit — the establishment of a manufacturing/distribution relationship that was satisfactory to

both sides. It was important not to insert another individual ego into the process. My historical knowledge of and relationship with many of the individuals on both sides of the table helped me facilitate what can sometimes become an acrimonious discussion.

My current situation as a reinsurance intermediary requires me to develop, structure and negotiate reinsurance capacity between a ceding company and the reinsurer. I deal in situations where reinsurance is not readily available. It is critical to empathize with both the ceding company and the reinsurer — determine what core risks the ceding company desires coverage for and discover what reinsurer desires or objections need to be satisfied. My prepared knowledge of the reinsurance community provides a strong starting point. Then all parties must enter into a willing and open discussion to find the sweet spot that matches the desires and goals of both sides. The important winners are the ceding company and the reinsurer, not the intermediary.

Pay attention to these tactics, and you may well find that negotiating becomes more of a science than an art. □

