

The Integrity of Independence

An Interview with James W. Crystal,
Chairman and Chief Executive Officer, Crystal & Company

EDITORS' NOTE After joining his father, Frank Crystal, at the firm in 1961, James Crystal was named President in 1963. Active in the community, Crystal serves as a vice chairman, trustee, and member of the executive committee and Co-Chairman of the Audit Committee of Mount Sinai Medical Center. He advises a wide range of corporations through his service on the boards of directors of Stewart & Stevenson LLC, Ennia Caribe Holding, Global Indemnity PLC, and K2 Global Consulting.



James W. Crystal

COMPANY BRIEF Crystal & Company (crystalco.com) is a leading strategic risk and insurance advisor, addressing clients' risk management, insurance brokerage, and employee benefits consulting needs. The firm is comprised of more than 400 professionals, each distinguished by their technical expertise and industry-specific knowledge, and driven by their passion for client service. Crystal & Company is headquartered in New York with 10 regional offices throughout the country, placing over \$1 billion in premiums annually in the global insurance marketplace. Established in 1933, the company has sustained its independence through 80 years and three generations of Crystal family ownership and management. Crystal & Company is a member of Brokerslink, a global alliance of leading independent insurance brokerages spanning more than 80 countries and 300 cities across the world.

Has true economic recovery taken place and is this a time for strong growth in the U.S.?

Recovery hasn't taken place – jobs reflect that, and some jobs may never come back. However, it's an excellent time for growth, but it's going to go to those who want to work their way through the difficulties, invest capital to make it happen, and position themselves to take advantage of the opportunities.

Are the emerging markets, particularly those that have had problems, still the markets for the future?

There is tremendous opportunity in emerging markets, but companies should approach these regions with an informed perspective of the risks involved. Financial infrastructures vary,

as do political realities and cultural differences that govern business conventions. While certain markets such as the Philippines have made progress, arguments can be made that mature markets in Europe and parts of Asia make better sense in terms of risk.

What does the tagline for the company, "The Integrity of Independence," really mean?

Our independence goes beyond the ownership of the company. For Crystal & Company, independence means that we are staffed by talented

professionals that reject conventional wisdom and have the drive and creativity that sets us apart. We are not beholden to a parent company nor are we worrying about EPS every day. We're focused on providing our clients with the open, honest advice that should be expected of a quality insurance brokerage. This is what has brought us success and what is expected by our clients today.

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Are there key sectors you're focused on?

The financial institution business has been a key to this company for 50-plus years, but the financial institution market has changed. You now have private equity and hedge funds – these are people buying and selling businesses like they are day traders. You also have accumulations of wealth that hasn't been seen since the Rockefeller family commercialized oil.

The financial institution gives us an edge, and it's dominant, but not in an overly dominant position – it accounts for less than 20 percent. The advantage it gives us is exposure to businesses. They tend to either recommend or purchase from or align themselves with us. The particular type of clients we have, where we're dealing with senior executives, are not transactional – they're not commodity driven. At day's end, they want to know what they're getting for their price and what the alternatives are for the price. They're far more entrepreneurial.

For an industry that is so important, why is there often a negative perception?

It's an industry that people fundamentally don't like. They know they need insurance but costs go up and down and they may not get their claim paid, or they may not understand what they really bought until it is too late. It's always perceived as the industry's fault and not the buyer's fault, so maybe there is some justification for the perception.

To me, without the service component, I don't know how you relate to clients in a way that helps them fully comprehend the big picture of what they're buying, and defines what they expect to get out of it and what risks they may be aware of and taking themselves.

Your focus philanthropically has been on medical care. Are you optimistic about healthcare in the future?

You have no choice but to be optimistic. The world must have adequate healthcare.

Is the key to tackling some of these major issues truly dependent upon the public/private partnership?

I have always considered philanthropy and private partnerships to go hand in hand. There is no doubt that tax benefits drive a sizable portion of the giving from private enterprise. Many of those calling for fewer tax deductions are not fully aware of the scope of these contributions. In fact, many institutions depend on the private sector because of these deductions. For example, Mount Sinai just completed a \$1.5-billion capital campaign – something it would be unable to address if tax deductions disappear.

To me, a balanced public/private partnership is essential – and a well-run partnership will always outperform a purely socialized model. Legal challenges to healthcare reform underscore this conflict, placing the burden on the private sector in terms of education and execution. ●