

## A Consultative Role

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. 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 along with serving on the boards of Stewart & Stevenson, Ennia Caribe, and K2 Intelligence.



**COMPANY BRIEF** Crystal & James W. Crystal Company ([crystalco.com](http://crystalco.com)) is a leading strategic risk and insurance adviser, addressing clients' risk management, insurance brokerage, and employee benefits consulting needs. Founded in 1933, Crystal & Company is comprised of more than 400 colleagues in 11 regional offices across the United States, and they place over \$1 billion of premiums in the global marketplace annually. They are a family enterprise, spanning three generations of Crystal family ownership and management.

### Where do you see growth opportunities in the insurance market today?

There is little growth in the market today because rates are under pressure, people are taking higher deductibles, or self-insuring things that were heretofore insured.

The growth will only be in new product design or insuring in areas that heretofore haven't been explored.

There is a market for that type of growth – the concern is, if one company designs new products and then another company is designing the same product, then we might be back in the same area of pressure.

### Is innovation taking place in the industry?

Insurance is something everyone needs but most people dislike. Many of the new products are designed because the product need is out there, but no one is designing products in advance of the need. They don't want to put money into something like a research laboratory to develop the product in advance.

The real risk is spending some serious money on product development in advance of a need and wondering if anyone is going to buy it until they have a problem.

**People often equate value with price, but does a higher price sometimes provide better value?**

The knowledgeable customer understands that. However, the majority of customers aren't necessarily knowledgeable.

The biggest issue is not only the value proposition, but the financial stability proposition of the insurer. There is always something that can be obtained in a cheaper market, and few customers are knowledgeable enough to ask for the financial or claims rating of a company, or even about the broker's experience with that company.

If those questions aren't asked, then the client often takes the easy way out, which is price-based. A knowledgeable client will understand that is not always the best route.

We have developed a model where we show a matrix of different carriers. Generally, the price differential is not as great as people think, and the risk they might take with another carrier is greater than the price differential.

### What has been the key to your firm's success?

We continue to work on assuming a consultative role rather than just being a vendor for price.

We also understand finance and tax. This allows us to tell clients about items they may not want to insure because they may be able to do different financial structures if they have a loss. We point out how a loss could expose a balance sheet and that there are some levels that are acceptable and some that are not.

Being viewed more as a partner who is responsible for the insurance area for the customer is much different than being viewed just as a vendor.

### How do you define the client focus for Crystal & Company?

We are clearly focused on the financial services industry. The financial people actually drive the other ends of the business to us because of their respect for what we achieve and the respect their clients have for them.

We tend to look to bundle industries where we have particular expertise, and that is becoming an expanding accordion.

### How much of an international focus does the firm have?

We have good international capability. We are one of the lead partners in Brokerslink, which is one of the largest private networks in the world. We have 60 privately-owned partners, one in each country. We, along with three other brokers, act as the four managing partners.

This is a better model than putting bricks-and-mortar into every country and expecting the customers to come find us. Similarly, a model that serves only U.S. companies in other countries also doesn't make sense to us.

### When you hire new people, how important is cultural fit?

Cultural fit is most important. We're also conscious of how many times they have changed jobs over a period of time, as loyalty means a lot to us.

It's also important to have people of a similar age working together so we have no built-in hierarchy that thwarts growth potential for the better people.

### What type of products and services are being developed to address cyber risk?

The insurance industry has developed products to deal with this, but I'm not sure they know how to market them. They're all deeply involved in finding more buyers for the products.

By and large, the biggest expense that comes out of an event in this area is the notification expense, and it can possibly be a somewhat tolerable one.

The problem is that the industry has not had enough time to figure out how to fully prevent these events from happening or what the best housekeeping activities are to lower the risk. I believe my involvement on the board of K2 has been helpful to us and therefore to our clients.

### Do you feel the industry could do a better job of promoting itself?

Yes, but utilizing something as simple as advertising is too institutional and lacking in creativity. It often promotes the brand rather than the products to be sold, and that seems to be somewhat backwards.

If we can expose customers to something that we're doing that they are either not getting at all or not getting done sufficiently well, they're going to call us.

### What do you tell young people about the opportunities that exist in the insurance industry?

I advise young people that they should look at this industry no differently than they do at investment banking. It's free form in that they're constantly interfacing with people and acquiring additional knowledge. It's also typically an industry that doesn't have any inbred rules that prohibit promotion based on skills and intellect. The sky is the limit for capable people. ●