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## COUNTRY Financial CEO on "Battling for the Middle"

April 5, 2012

BLOOMINGTON, Ill. – Today, April 5, the Illinois Wesleyan Associates gathered for their annual luncheon to learn how COUNTRY Financial is adapting to constant changes in today's society – from weather-related issues, to the economy and advancements in online technology.

In a speech titled "Battle for the Middle," COUNTRY Financial Chief Executive Officer (CEO) Kurt F. Bock gave insight to the changes the company is facing, as well as how the company is fighting for the middle—clients and consumers.

Bock first outlined the challenges the insurance and financial services industry is facing, a primary factor being weather. According to Bock, a number of severe weather events in the past four years alone have quickly outpaced storms and disasters in the past 10. He acknowledged major events like the Tuscaloosa tornado and recent Colorado wildfires, but also noted more frequent and powerful storms in localized areas. "These include hailstorms and windstorms – small, powerful events that impact our policyholders on a more and more frequent basis." He said the United States had 99 weather-related disasters in 2011, 14 of which amounted to more than \$1 billion in damages.



*Kurt F. Bock, COUNTRY Financial CEO*

In addition to severe weather changes, low interest rates have made it more difficult for the first wave of retiring baby boomers to plan and save in order to maintain their accustomed standard of living. As the country approaches the year 2030, Bock noted, the United States population over the age of 65 will comprise 19 percent, where in 2000 it was at 12.4 percent. "We will be seeing what wealth managers call superannuation – outliving your assets," said Bock. The challenge COUNTRY Financial must face, then, is ensuring their clients have "the necessary resources to maintain their standards of retirement life."

Bock then turned his attention to the more pressing issue at hand – the battle for the middle. Referencing what he had just discussed, he said, "But those two battles pale in comparison to the battle for the middle – the battle for you, the client or consumer."

Outlining the changes the consumer is facing, Bock said that there are no longer geographical barriers in the financial industry. "Consumers want to be served wherever they are and whenever they choose. We, within the industry, no longer have the power to choose the time and place for service." If the client does not have the choice they want from a particular company, they will find someone else who will give them that choice, said Bock, noting that this is an inflection point for the industry.

In addition to the power of the consumer, Bock also observed changing expectations in clientele. "People are no longer segmenting their expectations by industry. The kind of great service you get from retailers, like Nordstrom's or new retailers like Zappos, are now setting the expectations for insurance clients in how they interact with their insurers." Even advancements in technology such as applications (apps) for smart phones are changing the way consumers interact with companies, said Bock, saying that he uses an app from Delta Airlines to tell him where his checked luggage is at all times. "Clients and consumers are bringing these same expectations to us in terms of claims process visibility or the stage an application for life insurance may be," he said.

One of the greatest changes the industry is facing is the growing middle, particularly those who are indifferent to what medium they use to acquire insurance. According to recent insurance industry research, 77 percent of consumers use relationships with financial representatives, while the remaining 23 percent use direct, online providers. "Within these two groups, there is a middle of this market – 43 percent – that is indifferent to what channel it uses," said Bock, who also noted that a tremendous amount of money is being expended to serve this group.

Bock believes the most effective way to reach this middle group is to take action on a more personal level. "It will mean we must understand what the client needs and how to serve them like they wish to be served," he said. On the other end of the spectrum, Bock noted, the client must also understand the company with which they are interacting. "I believe that our battle for the client not only involves

technology, but demands that the client or the consumer knows us and knows our differences."



Bock then outlined three "unwritten" values that differentiate COUNTRY Financial from other corporations. First is the company's dedication to putting financial strength "at the top of the list." Calling back to the depression era of the 1930s, Bock explained that the economic tumult in those years "formed the bedrock for

*The IWU Associates listen to Kurt F. Bock's address.*

always operating from a position of financial strength." This value allowed for the company to continue providing service to their clients to the best of their ability. Second is the company's desire to do the right thing. "When there is an issue, a claim or a complaint, our expectation is to always do what is right even if it costs us business or means that we go well beyond what you would call the 'benefit of the doubt,'" said Bock. Third is the value of putting clients first. He noted the delicate balance that must be acquired, as the company must give attention to both the individual clients and COUNTRY financial representatives who serve clients in 17 states. "We have to ensure that we focus on our clients and consumers while we continue to strengthen our partnership with our financial representatives," he said.

Bock said putting clients first also means understanding who the client of tomorrow will be. "This means understanding that we will not have a higher proportion of older clients, but also a growing group of more highly diverse clients," he said. "Our clients of today and tomorrow don't always look like us." This was something the company learned in 2007 when entering the market in Chicago. A company that was accustomed to working with the farm and rural market quickly adapted to working with younger, single clients who rent apartments and houses. "This is certainly a striking difference from our more traditional, downstate market of home-owning families," he said.

Bock's message of understanding the client at a more individual level can be applied outside of the financial industry. "The lessons from our industry are really lessons for your industries and businesses," he said. "Whether you're in the banking industry, own a small business, or lead a university, knowing who you are, what you stand for and how you are different may be more important than what your app or online services look like."

The Associates, founded in 1953, consists of business and professional leaders interested in the advancement and support of private higher education. Associates invest in the University, in top quality independent education and in students. Associates President Willie Brown noted the goal of the organization is to raise money and provide opportunities for students in McLean County to attend the University.

Also on the program were Barbara Nathan, executive director of Bloomington/Normal's Community Cancer Center, IWU Class of 1980 and Amber Simkins, a business major who graduated in 2011, who currently works for COUNTRY Financial and who is a native of Normal, Ill.

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