Agency Consulting Group

PIPELINE

For Independent Agents

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CLAIMS AND REMARKETING CUSTOMERS

Have you ever wondered why your customers hired you as their agent when there were so many choices available to them? Here's why…

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MOVING CUSTOMERS

Moving clients individually or in blocks can define an agency's client retention success. Here are the keys to making re-marketing a positive experience.

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WHAT IT MEANS TO HAVE AN INTERNAL SUCCESSION PLAN

Many agents don't think about Succession until it's too late and perpetuation through a sale is the only means left to redeem the asset's value to the senior owner. Here's how to ID whether succession (internally) or perpetuation is right for you.

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You Can't Manage What You Can't Count

Knowledge of your agency statistics is **not** important – it is ***critical to you success***. . This article will show you what to monitor and how.

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Monday Morning Markets

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CLAIMS AND REMARKETING CUSTOMERS

-By Al Diamond, President, Agency Consulting Group, Inc.

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A PAINFUL EXERCISE OR THE REASON THEY HIRED YOU?

Some years ago we were asked to do a private study for a carrier to determine why consumers purchase insurance from independent agents. The result was surprising but not shocking. When all was said and done the two primary reasons selected by insurance clients in all segments and geographic areas of the United States were common – and had nothing to do with price.

The number one reason that most clients chose to do business with independent agents was **claims**. The client really doesn't trust the insurance company to settle claims fairly. They feel that the company, including employed agents, sought to pay as little as possible to settle claims, not as much as necessary to satisfy the client. Recognizing that an agent can't change an uncovered loss into a covered loss, the customers believed that their independent agent was there to look after the best interest of the client and to shepherd the client through the claim process since the agent was familiar with claims and most clients are not.

Of course most agents don't actively follow up on claims. At best they tell the client to call the agent if they have any problems. Insurance clients are not thrilled by the passive approach to claims management. However, most are shy of calling a troubling the agent with their claim issues. They end up simply dealing with the carrier for better or for worse. But they do blame the agent if the claim process does not flow smoothly. Lesson Learned – If you want to provide the grade of claim service desired by your clients, follow up actively and tell them what you're doing from the beginning to the end of a claim. A claim can be your best marketing tool if you are actually helping the client in his time of need.

The second most important reason that clients choose independent agents is the marketing of their accounts. The client believes that most direct carriers have only one type of each policy and they either force the client into their policy or disqualify them. This common ground for insurance clients is the source of Agency Consulting Group, Inc.'s 'One Size Does **not** Fit All' marketing program. The clients feel that a major benefit of independent agents is that they have multiple carriers and, therefore, multiple products from which to choose and that their agents market their account among all of the carriers annually to get the client the best deal every year – which, of course, we don't do either.

A Word To The Wise:

If the insurance buying public BELIEVES that the benefit of independent agents are in the realm of claims support and comparison marketing of their accounts, if you want happy customers who refer others to you and stay with you forever – **do what they want you to do for them**!

Claim follow ups can be by a dedicated claim representative in your office or by your service staff as part of their jobs. The best agencies disregard the pressure of the carriers to leave claims to the carrier adjusters and follow up on claims every few days,. Communicating with the customers as each follow up is done to make sure the customer is on the same page as the carrier with respect to the claim.

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You can't make the claim more valid or worth more than it is, but you can be certain that the communications is open between your client and the carrier -- it's called doing your job!

Marketing clients in the years after they are new business is more difficult but certainly doable. Many of us have comparative raters that can be employed to make sure rates charged are not moving out of the competitive area for the client. Most agents trigger re-pricing when a renewal price increases over a pre-determined percentage. However, the **best** agents review their accounts in personal lines and small commercial lines as well as medium and large accounts on an annual basis (by the service team) to assure that the coverage is appropriate for the clients. The **best of the best** agents use customer advocates to communicate with the clients annually to determine when exposures change and remarket accounts accordingly for coverage, limits, exclusions and deductibles as well as for pricing. There are reasons for keeping a customer with a carrier for a prolonged period to establish and build a relationship that permits the carrier to treat the customer as a long-term client. But there are also reasons to move accounts that the client feels that is the agent's job for them.

MOVING CUSTOMERS – PAINFUL BUT SOMETIMES NECESSARY

-By Al Diamond, President, Agency Consulting Group, Inc.

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Agents are prompted to move customers for two reasons, remarketing and book movement. Both imply work efforts beyond the normal transactions generated by the clients or carrier. But both are often necessary and the real reason that you have been selected as their agent by your customers.

Individual Remarketing:

Remarketing is done specifically to better serve the client from a pricing or coverage standpoint and is done based on the needs of the client. The two great mistakes made by most agencies when remarketing a customer is a) failure to communicate, and b) waiting until the customer's complaint or prompting to do the remarketing.

Failure to Communicate – many agencies have established procedures to remarket accounts based on renewal pricing. If the cost to the client increases by some significant amount (determined by agency tolerance) the account is automatically remarketed with both price and other considerations taken into account. However, very few agencies **tell the customer** of the additional work being done on their behalf. Insurance customers are often suspect of the work effort of their incumbent agency after the sale. If they don't hear from you when they get an indication that their insurance costs are rising they might succumb to the incessant direct writer advertising to test the waters. Even if you pay attention to the customers' renewal costs you must tell them of your actions to show them that you are fulfilling their charter to you as their agent. This will likely stop them from shopping independently because you are doing the job for which they hired you – protecting their assets.

Waiting for the Customer Complaint to remarket – Once the customer believes that he must complain to get action from you, your role as their agent has diminished. You have diminished the emotional bank account – the trust relationship – that you may have built with your client. If you haven't created a renewal procedure that checks renewal pricing (for increases above tolerance levels) as well as other changes in coverage, deductibles, etc. that changes the customer exposure, please do so this year. This is precisely why the client made you his agent – to protect his assets from exposure.

Book Transfers:

Book transfers can be done at the prompting of a carrier or because it's the best thing to do for the clients of an agency. Either way, it's time consuming and painful, especially when you are re-underwriting the book as you move it.

Two Ways to Move a Block of Business

1. **CRASH AND BURN** –
   A. Clients are put in expiration date order. Any policy that is not subject to short rate penalties are moved for a client based on the date of the first policy expiration. If any short rate provisions are in place, that policy is withheld from movement and diary until it can be moved at renewal.

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B. A grid is created for each policy for each carrier considered for remarketing indicating coverages provided (including endorsed coverages available), limits available, exclusions, deductibles and pricing placement of the carrier compared to the others for that policy type (general order with lowest, moderate and higher pricing tiers).

C. A procedure is established to review coverage, limits, deductibles and pricing for each policy for each client as their account rises to the top of the list in X-date order.

D. All available staff are enlisted to do the account reviews based on the desired speed of the remarketing.

i. Divide the total number of accounts being considered by the number of people or teams that will do the remarketing project.
ii Divide the accounts per person by the number of days allotted to the remarket (from 30 days to 365 days). Depending on the size of the book of business to be moved we often see total conversions in 90 to 120 days.
iii. The results are the number of accounts that must be done daily by each person/team to achieve the desired result of the Remarketing Project for the agency.

Overtime, if necessary, is used to accomplish the project. Some agencies hire or move staff to the project on a temporary basis in order to accomplish the goal – remarketing an entire book of business to the best product/carrier for each clients.

In cases in which a book of business is being moved from one carrier to another the time needed to accomplish that task may be calculated and may be assisted by carrier representatives or may be paid for by a special fund from the carrier to do so for the agency. In those cases, the agency should negotiate with the carrier to re-underwrite each policy as a renewal (since it has been a renewal to the agency) instead of as new business. In this way there is a minimum of disturbance to clients who may not qualify as new business but would be retained by the carrier if they were a long term client.

2. Staged conversion at renewal – the least impactful way of moving a book of business is for each policy to be moved (to a single carrier to remarketed to the best carrier available to the agency) at the policy renewal. This implies that each service representative, marketer or service team will do their normal work each day plus one day's worth of renewals (scheduled 90 days from the current date). Obviously not all renewal underwriting will be done for every client every day but many will be normally processed and the others will be integrated into the normal work day for processing to conclusion.

Work with the carrier underwriters if a 'block move' to accommodate renewal underwriting for the new carrier and raise specific issues if coverage, limits, deductibles or pricing is different in the new policies than in the old that negatively impact the customer.

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Communicate with the client – There are ways to communicating to clients that you wish to remarket their accounts that are truly positive and customer oriented. Our studies have proven that most clients believe that you are reviewing and remarketing their accounts annually, anyway (which isn't true in most agencies). By informing them that you intend to review their account this year gives them the ability to tell you of their wishes if they have loyalty to their existing carrier. Even if they don't respond, you are telling them that you are doing your job for them.

If you intend to move a block of business from one carrier to another state the benefits of the new carrier to the clients and tell them that you will address each coverage, limit, deductible and pricing and will advise them of the best service and product for them. And then do exactly that – inform the client before the conversion of your decision and allow them the time to 'opt-out' by phone or email if they don't want the benefits afforded by the new program.

Moving business, individually or by block, is not pleasant and is expensive in both time and cost. But it is sometimes a necessary activity to properly service your clients. Treat it positively and both they and your carriers will appreciate your efforts.

WHAT IT MEANS TO HAVE AN INTERNAL SUCCESSION PLAN

-By Al Diamond, President, Agency Consulting Group, Inc.

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This implies the transition of ownership to a child (or children), employee relative(s), producers or other employees or the acquisition of new 'blood' to eventually become the owner(s) successor instead of having to sell the agency to another organization. The reasons to perpetuate internally are myriad:

1. Tradition and/or Ego – you want the family name to continue as an insurance organization in the community that you have served for one or many generations.
2. Deserving successors – your staff has been loyal to you and are well prepared to take over the leadership of the agency.
3. Deserving children or other family members – They have been raised in the agency and they may carry on your culture or alter it to mold the business to their personalities. But they know the business and deserve to be the next generation.
4. Undeserving family members and/or staff – You're afraid that the family members and/or staff are not as professional as you would have liked them to be and, if the agency were taken over by an outsider, they may not survive the transition.
5. A great organization lacking a successor-leader – you have been the strong patriarchal leader without anyone with your capabilities that could stand up to your personality. Now that you are ready to transition, you are seeking someone as strong as you to come into the agency and become its next principal to protect your clients and employees and guarantee the proper value transfer for your retirement.
6. You will have a good idea of the value of the agency (or your need of value) prior to triggering the perpetuation plan. The successful Succession Plan will assure you of the ability of the successor(s) to sponsor the required value to you – to allow for sufficient cashflow to pay you and to continue to increase the value of the agency for their own future.

A Succession Plan attacks the appropriate item(s) above for your agency. It addresses the fact that the professionalism and loyalty expressed by the potential successors in the past allowed them to enjoy a successful career to date. The additional duties and responsibilities that you will now place on the prospective next owners of the agency will determine whether they can Step Up to the next level and continue their productive efforts in service, production and administration and learn all that you do to also become managers and leaders. Not all the potential owners will necessarily succeed in the transition to ownership.

That doesn't mean that they are not valuable, only that their value is more as an employee than as a manager/owner. The successors that succeed in the Succession Plan (as little as one year and as long as five years) will gain further management experience and will simultaneously convince you of their capabilities before your ownership transfer is fully triggered.

Components of the Succession Plan

Over the period of the Succession Plan (different in each agency), the successor(s) will be given management responsibilities including both authority and accountability for designated management tasks. If transitioning from one owner to multiple owners, these responsibilities, all being accomplished currently by a single owner with administrative help, the new management roles will be defined by the needed management tasks and by the personalities of the participants.

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If coincidental with Strategic Planning, the first year will have the successor(s) responsible for revenue generation and subsequent years will transfer budget responsibilities to be sure that the growth of the agency isn't accompanied by expenses in excess of growth.

The transition of the roles from the current owner to the successor(s) comes with a set of challenges for the current owner, as well. Many owners have built a self-reliance that will be difficult to delegate. The delegation is critical to the eventual successful transition of ownership. If the senior owner cannot manage the delegation of his tasks he will never be able to turn over the full responsibility for those jobs and feel comfortable that they will be managed just as well (if not better) than (s)he could do alone.

Each year of the transition the roles will be further developed and more responsibility will be given from the senior owner to the successors. There may be management bonuses or a stepped acquisition of stock based on the success of the successors in their management goals each year (at current FMV of the stock as a Going Concern or at discounted rates, based on the needs and desires of the senior owner).

By the time the senior owner steps out of ownership completely or out of majority ownership the successors are quite comfortable in their new roles and form a new ownership, whether individual or as a team for the agency. The transition becomes transparent to the staff, clients and carriers since it is slow and methodical (over years) and the senior owner remains in place to monitor and manage the transition process, itself.

One important key to the Succession Plan is that the senior owner may delegate the authority and accountability for management tasks within the organization, but (s) he cannot delegate the **responsibility** as an owner. He will lower his work effort in the delegated functions, but that reduction in work effort is replaced by active management to be certain that nothing falls through the cracks and the work effort that the owner has done in the past is successfully being accomplished by the successors during the transition period.

You Can't Manage What You Can't Count

-By Al Diamond, President, Agency Consulting Group, Inc.

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We are never shocked by how little most agents know about their own businesses. We are all so busy **doing** the job that we never take the time to determine HOW WELL we're doing the job. Stephen Covey describes his 7th Habit (The Seven Habits of Highly Effective People) as sharpening the Saw – taking time from 'cutting down the trees' to see where you are and make sure your tools are still sharp.

But without knowing where you are in the agency you are an insurance **agent** (an individual performer) with some folks working for you, not acting as an **agency owner** (a business owner). In order to secure your future value in the agency asset you must learn how to manage and monitor your business.

We teach insurance agencies how to create and manage their own metrics. The beginning of agency metrics is their checkbooks. If agents do nothing else well, they understand (unlike our government) that you can only spend the money that you **have.** Most agents quickly graduate to the creation of monthly and YTD Operating Statements that operate as basic agency metrics if they also look at the prior year's same month and YTD. This way they can see how they doing financially from one year to the next. Unfortunately, many agencies stop their metrics at Operating Statements.

Financial Metrics

Income and Expense reviews on Operating Statements are fine beginnings to management but the publishing of those reports are so much more important if you set a **budget** that tells yourself what you expect to generate and spend each month and YTD. After all, one primary reason you're in business is to make money. A goal of the Strategic and Tactical Planning Process is to determine as early each year as possible how much money (profit) you will make each year. If you set Objectives for the agency each year (beyond "to generate as much commissions as possible and to do so as inexpensively as possible") a budget becomes the tool by which you can measure the success of each objective. Every objective has a cost in time and material and should bear a goal for measuring its success.

Once you have captured the concept of planning and monitoring operating income and expense to desired profit goals you are ready to 'graduate' to measuring the health of your agency – its Balance Sheet.

Imagine the Operating Statement equivalent to taking your temperature to see if you're well or ill. In this example reviewing your Balance Sheet is akin to doing blood work an EKG and an EEG to go deeper in the analysis of your overall health. What medical diagnostics does for your doctor's analysis of your physical health the Balance Sheet does to judge the agency's liquidity and overall health. In many ways the balance sheet is **much** more important to determining if your agency's health is stable, deteriorating or improving.

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And the Balance Sheet is both the most important and least understood analysis tool in agencies. We recommend that you review our articles on the subject (send $25 to Agency Consulting Group, Inc. 507 N. Kings Hwy, Cherry Hill, NJ 08034 to be mailed seven articles that form a primer on the subject of insurance agency balance sheets).

If you create and review your Budgets, Operating Statement and Balance Sheets you have a good grounding in the financial condition and health of your agency. Remember, there are two types of people, those who want to manage their health and those who avoid any analysis of their health for fear of what they will learn. Which type are you?

Production Metrics

It continues to astonish us how few agents know or track how many clients they write and how many they lose. Clients are the heartbeat of the agency. Your life depends on keeping as many as you can (for your future income) and getting more every year. Premiums go up and down based on your carriers and the market in your area. Commission reacts directly to Premium. That's why it is possible to have commission retention over 100% (when you lose less commission from lost customers than you gain from rate increases) and not be successful or have an 80% commission retention (when you keep all your customers in a soft market in which rates and premiums for all decrease) and have a great retention year. But if you lose more customers than you gain every year, you are classified as an Eroding Agency and your value will suffer (since your earnings potential likely deteriorates with the loss of customers unless you are losing small customers and gaining large ones).

Certainly track your new business and retained commission dollars each year, but be certain to track new, lost and net growth of customers every year.

Productivity Metrics

The gross measure of agency productivity is Revenue per Employee. It can be monitored for Operating Income (commissions and fees) and/or for Total Income (including contingency and other sources of income). Since Compensation is every agencies primary expense, we also track Compensation per Employee (compensation is not JUST wages and commissions. It includes all benefits costs and payroll taxes. Spread is the net of Revenue per Employee less Compensation per Employee. This is a refined measure of agency productivity because it defines the revenue per employee (after compensation) available to overhead (which is a set of relatively controlled expenses) and to **profit**.

The most advanced agencies define these measurements by department, office or work group to determine which teams are making money and which are costing more than they generate.

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Marketing Metrics

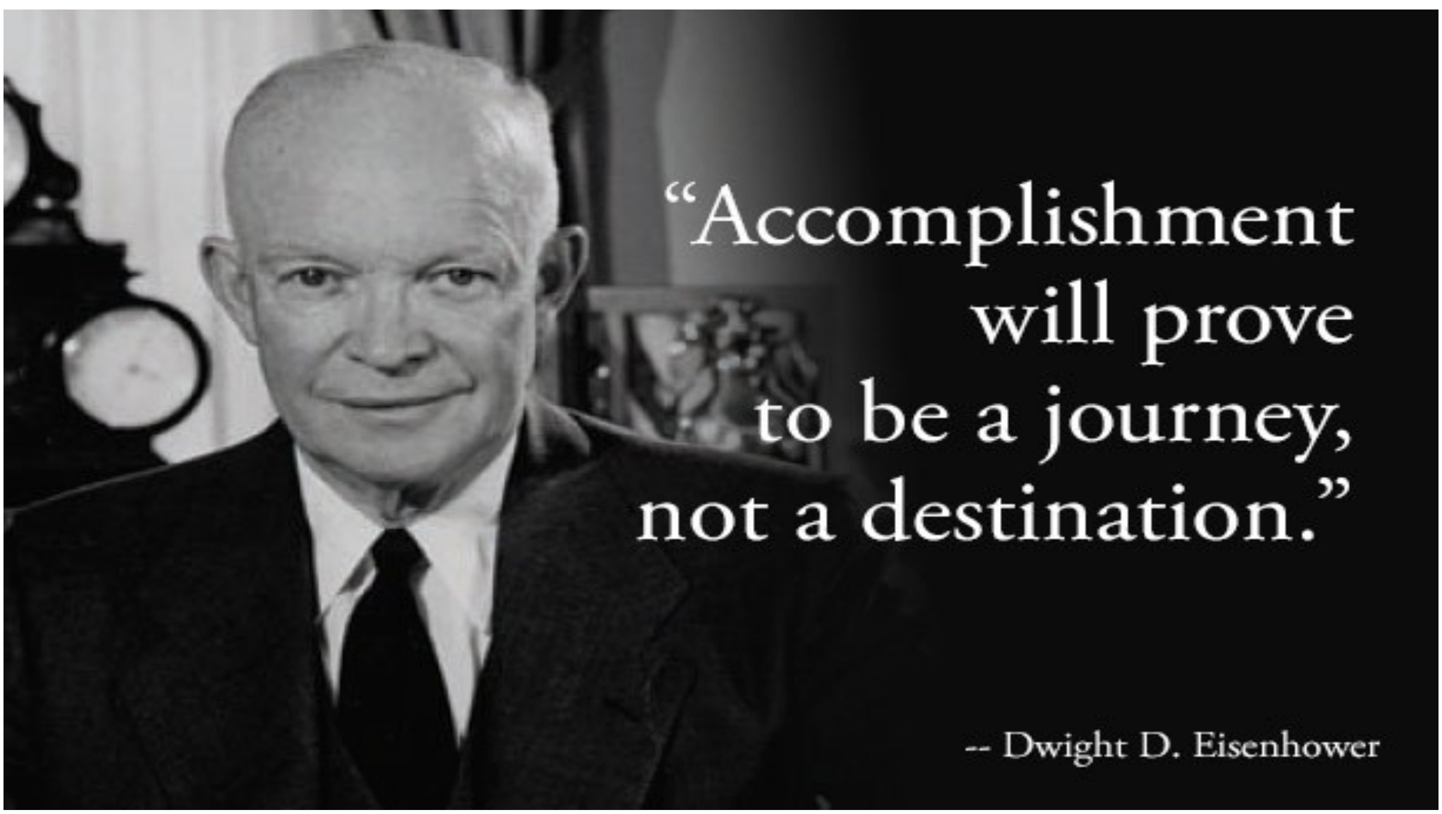
Whether the Yellow Pages (passive) or target marketing and direct mail and email campaigns, most agencies spend some money on marketing. The most advanced agencies understand that referrals are the best way of getting customers but as insurance buyers have ever more options for their insurance, the referral stream is drying up unless you have implemented our Active Referral Program (call me for more info 800 779 2430). Marketing is always 'iffy'. Is your advertising and marketing a good investment or is it flushing money down the drain to assuage your ego for name recognition? I know what the advertising firms and marketing companies claim, but how do you know?

Every advertising method and every marketing program bears a cost. Echoing the title of this article, **If you can't measure it, you can't imagine it**!

This means that you need to monitor the results in both activity and in new business generation (clients and income) to determine whether your marketing and advertising dollars are well spent. If you are suspicious about the financial benefit of most marketing – you are very wise – most advertising and marketing does little to boost your income. But we don't know for sure so we throw thousands down the rabbit hold of marketing each year hoping that the image building will bear fruit. We have had agencies simply stop all marketing for a year and most found that they increased their income by no less than the cost of the marketing and advertising. They either wrote the same amount of business without the marketing or the amount written was much less than the savings from cessation of advertising and marketing.

We are not advising you to stop marketing! Effective marketing works but only if the marketing is **active**, not **passive**. Active Marketing means that agency sales staff takes outbound action (sales calls) on every prospect contacted in Drip Marketing efforts (small numbers of items released every day instead of massive numbers released at once). Passive marketing is defined by methods like the phone book and newspaper/tv/radio/Internet when a message is seen for milliseconds and only bears fruit if the suspect contacts the agency. Passive marketing boosts image if repeated sufficiently but doesn't yield sufficient direct results to warrant their cost otherwise.

We are suggesting to you that any advertising you do and any marketing programs, campaigns (multi-step) and efforts (single shot) be required to have their results monitored. That means that you ask anyone who calls for a quote where they found you (to identify the source of contact) and that the monitoring continue to policies written and commissions generated so that at the end of each effort you have knowledge of both the cost and the return on every marketing or advertising effort. Some can be done on the short term (the term of the campaign and several weeks thereafter) and others will be measured long term (annual measurement for the effects of the phone book advertising if you still use that medium).


"Accomplishment
will prove
to be a journey,
not a destination."
-- Dwight D. Eisenhower

Monday Morning Markets

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Do you want exclusive access to 200,000 prospects who need all types of insurance? Take advantage of the free adoption of Monday Morning Markets, the newest vehicle for agency differentiation and access to over 700 specialty programs.

MONDAY MORNING MARKETS

In mid-2016 George Nordhaus and I began a new company, Monday Morning Markets. He's the Chairman and I'm the President. That means he was smart enough to think up this concept and I was asked to help make it happen. What is it?

Monday Morning Markets gives you exclusive rights to put over 700 specialty markets on your website for as many as 200,000 people who live around you. If they need a specialty program, your agency will be the only one that is permitted to have these programs available in the Monday Morning Markets concept. The concept includes featured programs for which the program manager and George develop video content explaining their program and access to the 700+ markets available on Rough Notes Marketplace.

Once at territory is granted to an agency, no other agency will be given Monday Morning Markets (as long as the Monday Morning Markets agency posts Monday Morning Markets on their website – we'll give you all the directions you need to get that done). Please act NOW!! Link here to access Monday Morning Markets and register for the program.

We at Agency Consulting Group, Inc. have been encouraging independent agencies to show their prospects and clients points of differentiation that adds value to an association with the agency. Here is one such point of differentiation. Remember, every one of the 200,000 residents you will reach needs almost every line of insurance that you have available.