

Four Strategies for Capturing More Business

A Call to Action for Independent Insurance Agents

By Frank Pennachio and Susan Toussaint



EXECUTIVE SUMMARY

In this white paper, you'll learn:

- How to be a more competitive agency
- Why Workers' Compensation capabilities can help you differentiate your agency
- How to increase your revenues with fee-based services
- How to increase your ROI with young producers

Many insurance agencies continued to face challenges to grow their books of business in 2010. Insurance rates remained soft, and their clients' premium basis, payrolls and revenues, did not rebound as the economy slogged along with few signs of rapid recovery. Few expect insurance rates or the economy to raise their boats in 2011. Hunkering down and waiting for things to change is not a viable option.

So, it is clear that agencies must grow the old fashioned way...capturing more business by creating new clients. Your outcomes are a result of your processes, and if you look back and do not like your outcomes, then it is past time to change your processes.

The silver lining in these tough times is that agencies are compelled to assess where they are and develop a plan to grow despite these challenges. What worked in the past will not likely get you to where you want to go.

New Risks and Threats to Agencies

The strategic business plan you have for your agency for the next year is critical to your survival. And it must be different than the plan you had last year or the year before that. Why? Because even if the economy is on the road to recovery, independent agencies are facing new risks and threats to their existence such as:

- ♦ New players—for example, payroll companies and employee leasing firms—entering and segmenting the market
- ♦ Business clients focused on the bid-and-quote approach
- ♦ Market commoditization and premium contraction
- ♦ Decreasing revenue per account
- ♦ Increasing expenses and client acquisition costs
- ♦ Alternative risk financing

If you want to grow your revenues while the economy is recovering, it's time to compete on a different level. You can no longer afford to rely solely on your

ability to place insurance policies. Agency business plans must address and incorporate these four strategies:

1. Grow organically
2. Differentiate with specialized agency capabilities
3. Diversify revenue
4. Develop young producers

In other words, tomorrow's successful independent insurance agents will have a different look. They will know how to:

- ♦ Fill and manage their pipelines
- ♦ Leverage their centers of influence to generate referrals
- ♦ Engage in a consultative sales process
- ♦ Be able to work with only right-fit clients
- ♦ Retain existing clients and provide ongoing value

The current consensus forecast indicates that most economists are anticipating a steady but modest recovery in economic activity over the next 6 to 8 quarters. Although the projected **2.7%** projected rate of growth in real GDP is relatively close to the long-term average, it is disappointingly low for an initial period of recovery, especially when considering the steep decline in 2008 and 2009. Two key sectors will remain sluggish: housing and personal consumption. Historically, a rebound in housing has typically been central to recovery from recessions. The continued uncertainty surrounding the economic outlook and related policy actions likely will hold business investment and hiring in check at this early stage of the recovery.

- Gauging Current Conditions: The Economic Outlook and Its Impact on Workers Compensation, NCCI October, 2010



Strategy #1: Grow Organically

When the good times roll, businesses tend to get lax about pursuing new clients. The insurance industry is no exception. It's easy to depend on contingency commissions. In fact, in 2008, IIABA president Alex Soto said that half of all U.S. agencies depend on the extra amount of income brought in by contingency commissions to move profit and loss records from red to black. In addition to those contingency commissions, for the past decade, independent agencies have relied heavily on mergers and acquisitions to support their growth strategy. Credit was easy. Financing was readily available. Success was attainable.

But that strategy hasn't been an effective one since the economic downturn began in 2008. Acquisition is no longer a lucrative way to grow your revenues. Agencies that are worth less than they were a few years ago are not eager to sell out. Small-business loans are harder to get.

Neither continued reliance on contingency commissions nor agency acquisition is a reliable, long-term strategy for growth.

Finding New Ways to Be Competitive

To combat the latest risks and threats to independent agencies, you must identify new ways to be competitive and grow. What other options are there for growing an insurance agency? There is only one: to **grow organically**.

What does organic growth mean? It's more than just "hitting the streets" to get new business. It involves implementing a distinctive sales process that attracts and retains higher revenue clients. It includes developing a value proposition that sets you apart from your competitors.

Do the Math

How much organic growth is necessary to grow your book in 2010?

For example, if you suffered a 20% decline in revenue in 2009 due to the economy, you're going to need to sell \$200,000 worth of new business revenue for every \$1 million of previous agency revenue.

Then there's the additional issue of growing your agency beyond just replacing the shrinkage. You're going to need a strategy that will help you reach your business objectives quickly.

Back to Basics

Unfortunately, many agencies have subconsciously neglected mastering the skills and processes necessary to foster organic growth. And who could blame them? It was easy to get complacent when premiums and commissions were soaring.

Basic organic growth fundamentals can still deliver results if they are practiced within a structured sales process. If you want to grow your agency, it's crucial to build your pipeline:

- ◆ When was the last time your agents cold-called?
- ◆ When was the last time your agents reached out to their peers and leveraged their centers of influence?
- ◆ Are your agents practicing tactics that will cultivate a long-term relationship with clients?



Key Tactic for Implementing Strategy #1

There are three distinct tactics you can implement to improve your organic growth:

- ◆ Initiate activities to create new customers...every day
- ◆ Implement strategies to grow revenue per account
- ◆ Work only with right-fit, high-profitability accounts



Strategy #2: Differentiate with Specialized Agency Capabilities

Does the following scenario sound familiar to you?

You've finally nailed down that elusive first meeting with a prospective client. During the initial 40 minutes of the appointment, you glide through your agency's prescribed agenda; you tell the prospect about:

- ◆ **Your agency**
- ◆ The features and benefits **your agency's** product offers
- ◆ Who else **your agency** insures

As you proudly present your standard sales pitch, your prospect listens intently, hanging on your every word. You're confident he or she comprehends the information you're providing. Soon your prospect will ask that all-important question: "Can you give me a quote?"

But is this really the position you want to be in? Offering the lowest price, reducing your commission and cutting into your revenues? During your presentation, did you successfully differentiate yourself from your competition or did you just confuse your prospect with a myriad of insurance facts?

A Revolutionary Approach

It's time to adopt a new strategy—one that will make a difference in how you interact with your clients and capture new business:

- ◆ Develop an in-depth knowledge of Workers' Compensation
- ◆ Implement a distinctive sales process

State	Projected/Implemented Rate Decreases
Colorado	9.7%
Florida	6.7%
Hawaii	4.1%
Maine	7.0%
Nevada	7.6%
North Carolina	10.0%
Oregon	1.3%



Key Tactic for Implementing Strategy #2

Leading with Workers' Compensation gives your agency an immense advantage over your competition, which has little knowledge in this area and relies on the "bid-and-quote" game to win business.

In addition, adopting a distinctive sales process that sets you apart is equally important. Begin your relationship with the client by initiating a dialogue, and then use your Workers' Compensation capabilities to perform a complete assessment of the employer's risks and threats before you mutually agree to a plan of action.

Become a Different Kind of Agency

In the highly commoditized insurance market, it's difficult to be different when buyers keep asking you to "just give me a quote." How can you remove your agency from the debilitating bid-and-quote routine and truly become a different kind of agency? By implementing a consultative sales strategy that emphasizes specialized technical knowledge in Workers' Compensation.

In professional business relationships, specialists bring more value than generalists do. Think of attorneys, physicians and accountants. The insurance industry is no different. Agencies that lead with and specialize in Workers' Compensation differentiate themselves from their competition because few agencies possess this expertise. An agency that understands the threats and risks employers face in managing their Workers' Compensation costs is seen to by employers as a "business advantage" rather than a transactional broker.

When you demonstrate an in-depth understanding of Workers' Compensation, you'll grab an employer's attention because you are showing them that you want to address **their** problems and threats and **help them get better**.

After developing his in-depth Workers' Compensation knowledge, one independent insurance agent set out to test his specialized capabilities with a prospective client.

During a series of dialogues with the client, the agent discovered an error related to the calculation of the client's experience modification factor. The overcharge was occurring because the existing Workers' Compensation policy failed to combine several entities in which the company had common majority ownership.

When the entities were combined for experience rating purposes, the experience modification factor dropped significantly and hundreds of thousands of dollars were returned to the employer, not only for the current year, but also for the previous two years.

Isolate Your Clients' Pain

There are few insurance issues that drive more emotion for employers than injured employees and Workers' Compensation problems. Most employers are overwhelmed by the complexity of Workers' Compensation insurance. They have little knowledge about what steps they should take to drive down their Workers' Compensation costs and improve their injury management results.

An agency with the capability to tap into that emotion and show employers a better way will capture more business opportunities.

Imagine you're an employer who thinks that bidding your Workers' Compensation insurance is the only way to reduce costs. No one has made you aware of other factors playing into your Workers' Compensation coverage:

- ◆ In many cases, injured employees don't get the right treatment by the right doctor at the right time.
- ◆ Employers are frequently overcharged through the premium audit process.
- ◆ Experience modification factors are often incorrect and mismanaged.
- ◆ Employees are at risk of losing their group health benefits when they are out on Workers' Compensation claims.
- ◆ Employers are potentially exposed to catastrophic uncovered Federal Acts' losses.

Demystify Workers' Compensation

It's not only employers who see Workers' Compensation as complex and difficult to understand. There are many agencies out there with the same perspective. That's why employers and agencies gravitate to the bid-and-quote approach. That's also why specialized capabilities in Workers' Compensation and a distinctive process for engagement can give you the advantage you need to capture more business. Here are three areas of expertise in which you can excel:

- ◆ Premium Audit Process
- ◆ Verification and Management of Experience Modification Factor
- ◆ Injury Management

Workers' Compensation insurance programs are frequently loaded with mistakes and overcharges. Agencies that know how to find and fix mistakes and overcharges that occur in these areas are in a better position to quantify their value to business clients.

What's the Payoff?

Recovering premium overcharges, properly verifying and managing experience modification factors, improving injury management outcomes and enhancing business relationships are just some of the opportunities that await agencies that lead their business relationships with Workers' Compensation.

In addition, leading with Workers' Compensation puts you at the front of the line for capturing additional lines of insurance including group health (and other employee benefits) and property & casualty.

Transform Your Sales Process

Too frequently, agencies offer products and services without ever assessing a business' needs, leaving the buyer confused. To differentiate yourself from your competition, your agents must deliver true business value to employers by shifting their sales strategy from placing insurance policies to serving as trusted advisors who help business clients get better.

Traditional transactional selling strategies do little to address an employer's unidentified risks and threats and generate limited revenues for your agency. In contrast, a consultative sales process is one of the best strategies for showing employers how they can take control of their Workers' Compensation program and for your agents to leverage their distinctive capabilities. It also sets the stage for you to establish a long-term relationship with employers.

For example, if your agents can show employers how to improve their injury management outcomes, then they are viewed as a business ally, not as just another insurance agent. It's through this dialogue that your agents have the opportunity to help employers recognize that the bid-and-quote approach doesn't serve their interests.

Instead of Asking...	Try Starting With...
Can I see a copy of your current policy?	How confident are you that you understand all the costs the insurance company does not pay when an employee gets injured?

When employers are presented with thought-provoking questions such as this one, they uncover hidden risks and threats. An employer's responses initiate a dialogue in which an agent identifies the employer's needs and matches those needs to the agency's specialized capabilities.

3 Strategy #3: Diversify Your Revenue Stream

Workers' Compensation sales can lead to more group health insurance sales. Few agents understand the gaps and risks to continuing coverage under the health plan when an injured employee is off work due to an injury. Employers and employees face dire financial consequences if this problem is not properly



A consultative sales process engages prospects at the beginning and leads to new business because both the client and the agency agree on the same goals and objectives.



Key Tactic for Implementing Strategy #3

When you adopt a consultative sales approach, you'll establish a dialogue with clients that identifies hidden risks and threats that you can address through fee-based services. There are sales opportunities beyond the placement of insurance.

addressed. Few agents know how to address and fix this problem.

In addition, your Workers' Compensation expertise is a powerful tool for you to differentiate yourself from your competitors and build a relationship with your client. When you show employers that you provide value, they are more likely to purchase additional lines of insurance from you, such as property and casualty.

Incorporate Fee-Based Strategies

Many agencies believe that only the broker of record (BOR) is in the advantageous position of establishing a relationship with an employer and gaining additional business. That simply is not true.

Insurance policies don't always address all of an employer's risks and threats. Frequently, existing problems remain unresolved, and in some cases, employers may be unaware of certain risks, so they are not even seeking solutions. This reality creates the perfect situation for a non-BOR to enter the picture and offer solutions.

If you want to capture more business in 2010, you must move beyond your core business model of simply selling insurance policies. Agencies that offer their specialized Workers' Compensation capabilities, tools and processes as a fee-based service can prove extremely valuable to clients.

What if your agents can uncover underlying problems with an employer's reporting processes by performing an injury management assessment...for a fee? Employers will pay to make a problem go away, especially a problem that isn't addressed by an insurance policy. An employer's problems are your opportunities. Here are some examples of fee-based services:

- ◆ Human Resources support
- ◆ Injury management training
- ◆ Contract review
- ◆ Benchmarking

Dialogue with the Client

How do you create these opportunities for additional revenue? By establishing a productive dialogue with the employer. For example, with the right questions, you can help an employer uncover a potential issue with hiring practices. Has there been an increase in the injury rate?

If through your dialogue with clients you can address their threats and improve their business, you can put a price tag on that. Employers are willing to pay ongoing fees if you can improve their outcomes. This means that throughout the year, there are usually multiple opportunities for your agency to generate a continuous revenue stream.

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Strategy #4: Develop Young Producers

Are you setting up your young producers for success...or failure?

What does your orientation and training program look like for young producers?

Are you:

- ◆ Sending them to insurance carriers' schools?
- ◆ Providing them with current phone books of their territories so they can fill their pipelines?
- ◆ Encouraging them to work off of X-dates?
- ◆ Offering words of encouragement such as "Go get 'em, Tiger!?"

If you're using these traditional tactics to develop young producers, you're fostering bad sales habits and wasting your money.

Hiring and training young, success-oriented producers is a considerable investment for independent insurance agencies. Agency costs associated with bringing on and developing new agents are well into the hundreds of thousands of dollars in direct costs and lost opportunity. It's frustrating for you—and them—when they fall short of the expectations set for them.



Key Tactics for Implementing Strategy #4

You can create a successful environment for young producers if you:

- ◆ Implement a consistent and effective sales strategy
- ◆ Adopt a process for evaluating young producer abilities as well as revenue generation
- ◆ Create a culture of permissions to conduct business with only right-fit clients
- ◆ Mentor and coach, then hold young producers accountable

It's easy for young producers to become disillusioned when commissions decline. Before long, they decide to move on—either to a new agency or to a new profession. It's costly for your agency's financial success and reputation. And it's difficult to establish that long-term business relationship with clients.

Assessing Success

Even though it's all about revenue, it's not all about revenue at the beginning. You can ensure that your young producers are on the right track well before you review their sales figures. In fact, if you wait to evaluate their performance based on sales, you've lost valuable time and, most likely, the opportunity to intervene.

To avoid going down this path with your young producers, you must cultivate and train them in the new ways of selling, including transitioning from a transactional selling process to a consultative one. You'll also need to revamp your approach to include the assessment of additional sales skills including:

- ◆ Frequency and quality of first appointments
- ◆ Ability to dialogue with prospects
- ◆ Ability to articulate your agency's value proposition and identify right-fit clients

This approach requires an investment on your part, but it produces higher rewards for everyone. This helps young producers grow and develop in their chosen profession and achieve greater rewards in the process. Job gratification turns into stability for young producers and the agencies they work for.

"The market and economic environment in which insurers operate are subject to considerable uncertainty. Success will depend on close monitoring of developments and the ability to move quickly to capitalize on opportunities as the situation becomes clearer."

Emerging from the Storm: The Day After Tomorrow for Insurance, PricewaterhouseCoopers Report

Next Steps

While insurance agencies can't control how the industry will behave in 2011, they can control how they retain existing clients and pursue new ones. The key is to implement this four-part strategy that genuinely sets apart your agency from your competition:

- ◆ Lead with specialized capabilities in Workers' Compensation.
- ◆ Adopt a distinctive sales process, such as The DAPPER Process™, developed by The WorkComp Advisory Group.
- ◆ Diversify revenue with fee-based strategies
- ◆ Develop young producers with their "Getting in the Door" strategies and consultative sales process

This approach eliminates your reliance on bidding and quoting and jump-starts your transition from transactional selling to a consultative sales strategy.

About the Authors



Frank Pennachio, Co-founder

Frank Pennachio, co-founder of The WorkComp Advisory Group, is a recognized expert in the Workers' Compensation community. For more than 20 years, Frank owned an independent insurance agency. For 15 of those years, his agency focused exclusively on Workers' Compensation.

In addition, he has spent the past decade training agents—more than 1,000 nationwide—on the technical aspects of Workers' Compensation.

Recently, The LexisNexis Workers' Compensation Law Center recognized Frank as one of its Workers' Compensation Notable People for 2009. This award is given to those who "have worked tirelessly on behalf of their clients and have made significant contributions this past year to the Workers' Compensation system and/or the workplace." Award recipients are selected by various organizations and experts in the Workers' Compensation field.



An advocate of lifelong learning, Frank loves leading discussions and encouraging others to grow professionally.

Frank is an accomplished speaker; presenting at national conferences and seminars to agents, employers and other insurance professionals, and is a frequent author of published articles about Workers' Compensation issues.

In his role at The WorkComp Advisory Group, Frank is responsible for:

- ◆ Developing curriculum
- ◆ Leading WorkComp WorkShop™ training
- ◆ Facilitating agency and agent consulting service



Susan Toussaint, Co-founder

For the past 10 years, Susan Toussaint has been professionally dedicated to working in and around the Workers' Compensation system. In 2007, Susan founded Injury Management Partners, a firm that creates turnkey consulting packages to help agents cultivate employer relationships outside the broker of record.

Before becoming an entrepreneur, Susan held leadership, sales and operations positions with Florida's largest health care system. As a regional manager for this organization, she worked with employers to develop occupational health and wellness initiatives and improve their injury management processes.

Her passion is helping her client agents develop and implement processes that smooth the path for sales, marketing and client retention.

In her role at The WorkComp Advisory Group, Susan is responsible for:

- ◆ Agency-specific curriculum development
- ◆ Sales coaching
- ◆ WorkComp WorkShop™ facilitation
- ◆ Consulting with agencies on developing revenue diversification strategies

About The WorkComp Advisory Group

The WorkComp Advisory Group was established to provide independent insurance agents with the tools, training and consultative leadership they need to attract and retain business.

We believe the formula for your success is to lead with Workers' Compensation.

We recognize that many agencies are facing financial challenges. We offer a consultative approach that leads you through the process of identifying the risks and threats to your business, and then we advise you on developing a value proposition that truly differentiates your agency in the marketplace. Our community provides you with the leadership, strategies, training and support essential for:

- ◆ Creating organic growth
- ◆ Diversifying agency revenue
- ◆ Creating agency differentiation
- ◆ Developing capable young producers
- ◆ Implementing an effective and repeatable sales process

For more information about
The DAPPER Process™
 or The WorkComp Advisory Group,
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