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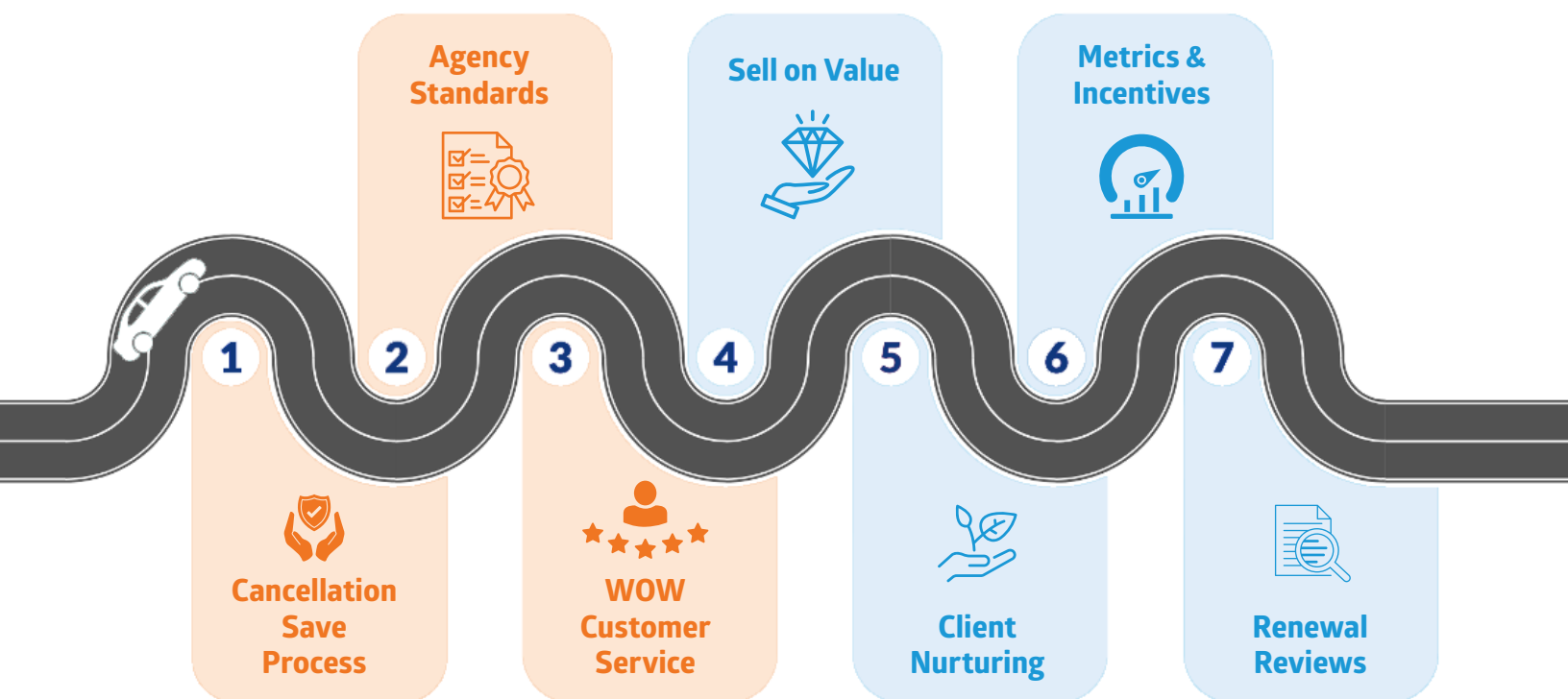
How to Drive Retention for the Long Run

Review short- and long-term strategies designed to effectively position an agency to achieve and maintain a high retention rate.



THE ROAD TO 96% RETENTION

How to Drive Retention for the Long Run



Graphic Source: Adapted from Agency Performance Partners Graphic "Road to 96% Retention"

Introduction

Retention is the key to long-term sustainable agency success. Over the years, retention strategies have evolved and changed. Back in 2009, when an agency was asked if they contacted customers at renewal time, the common response was negative. Agents often expressed a concern that contacting customers might "wake the sleeping bear" and encourage them to shop around and leave. This reflected a cautious approach to customer engagement.

As the market shifted, direct writers began investing heavily in marketing. Icons like the Gecko, Flo and Mayhem emerged, turning insurance TV commercial figures into popular Halloween costumes. Insurance agents recognized the need to adapt to retain and attract new clients. Agencies that proactively invested in marketing and training their teams started to see significant growth, whereas those who did not adapt relied primarily on hope as their strategy.

Due to the COVID-19 pandemic and the hard market, retention now requires a very focused, diligent and intentional strategy. Agencies are encouraged to develop and implement a focused plan, moving away from passive strategies.

Below are some presumptions that should guide your agency's retention strategy in the hard market:

- Clients can grow tired of the same script and message, which means creativity is necessary by the second year.
- The team is an agency's biggest asset but they often experience burnout.
- The economy is impacting clients with some struggling to make payments.
- Higher payments will lead to higher expectations from clients.
- Agency leaders need to step up and do more than manage; they must lead their team.

According to Agency Performance Partners, *Agencies that have implemented proactive retention strategies have achieved up to 96% retention rates.*



7 Strategies to Improve Retention

In-depth analysis has revealed these three key strategies that can improve retention in the **short term**:

1. Cancellation save process
2. Agency standards
3. WOW customer service

Four additional strategies provide **long-term** retention benefits, such as:

4. Selling on value, not price
5. Client nurturing
6. Metrics and incentives
7. Renewal reviews

Combining these seven strategies effectively positions an agency to achieve and maintain a high retention rate.



7 Strategies to Drive Retention

As agencies review this list, it might seem overwhelming—and rightfully so. However, these steps are not intended to be implemented all at once. Review the list to identify current practices and determine the next best steps. Take one strategy every quarter and fully execute it with your team. The goal is not simply to do more, but to fully execute and adopt each strategy effectively.

1 SHORT-TERM STRATEGY

Cancellation Save Process

When someone calls an agency to leave, typically, the client is directed to their account manager, who may not actively fight to save the account. Many account managers avoid conflict and can empathize with clients looking to save money. Additionally, if they are feeling burned out and overwhelmed, the departure of a client may mistakenly feel like a relief. While cancellations are complicated, they represent an opportunity to save the account.

Common reasons teams may not fight to save a client who wants to leave:

- Personal price bias
- Feeling overworked
- Not clear on the value
- No skin in the game
- Don't want to be pushy
- Fear of underwriting issues

Understanding these reasons in advance allows agencies to prepare accordingly.

Having a solid written process for how an agency wants to handle client cancellations is critical.

Key items to include in a cancellation process:

- **Who handles cancellations:** When someone calls in, the call should be directed to a specific person, ideally someone with the best shot at retaining them.
- **Review whether to keep them:** If an agency is losing a customer that it prefers not to retain, don't keep the relationship going.
- **Get a copy of the new policy:** Is it necessary to have a copy of the new policy? Not necessarily, but why not ask? Being able to review the new policy provides an opportunity to educate the client and potentially keep them.
- **Always, always shop them for a second opinion:** Don't just ask, proactively try to shop the account, especially if a remarket has not been conducted.
- **Warn about inspections, effective dates, and underwriting guidelines:** Clients may not be aware of the real risks involved. When they are moving agents, they are taking the risk of being underwritten again. It's important to guide the client by sharing potential risks they may encounter.
- **They are breaking up with the agency—fight for them:** A cancellation process should not be polite, it should be a mission to save the client. Sometimes, agencies are too polite, thinking the client may come back.
- **Recycle the good ones for next year:** Goodbye is temporary. If a client can't be retained this time, consider converting them to a lead for the next year.

2 SHORT-TERM STRATEGY

Agency Standards

One factor that can pull down retention is the quality of an agency's book of business. For example, agencies with a non-standard book typically experience lower retention but often compensate through a fee structure.

When agencies acquire books of business, a thorough first-year review process is always recommended to clean up the accounts and determine which ones might be shifted to automated payments, higher limits or preferred carriers. When agencies attempt to serve everyone, they often end up with a disjointed retention process.

CONSIDER THIS SCENARIO:

CLIENT 1 An agency has a client with a \$15,000 personal lines account who pays in full, has no claims and swaps a vehicle occasionally.

CLIENT 2 Meanwhile, another client with a monoline \$700 six-month auto policy, has claims, has lapsed and had to be reinstated after late payment and is frequently frustrated with rates.

In reality, the \$15,000 client likely receives less service while the \$700 auto client consumes more of the agency's resources.

Which client would the agency prefer to get referrals from?
This illustrates the importance of agency standards.

Imagine having a go-to list of the ideal client. If a client does not meet these standards, they may be better served by another agency. While this approach may initially seem alarming, it helps refine the agency's book. The primary goal of running an agency is to ensure it is profitable and not all clients fit this criterion.

Agencies are advised to implement these standards in the following key client experiences:

- New business
- Vehicle changes
- Rewrites
- Renewal reviews

Some agencies will apply these standards to the letter. Here are some examples of what can be included in an agency's standards:

- Payment plans
- Who needs premium finance
- Minimum limits
- Deductibles
- Quoting monoline business or non-standard business
- Standard water sewer backup, rental car reimbursement
- Standard EPLI and cyber coverage
- Delivery of commercial policies electronically
- Use of client portals
- Non-payment standards



Time is a scarce resource. Agencies need to think about how to optimize their book to be both efficient and effective. It is not feasible to overservice some clients while under-servicing others.

3 SHORT-TERM STRATEGY

Delivering 'WOW' Customer Service

This has always been a point of contention within the industry. Many agencies claim to provide good service, but when asked, "Great, what do you do for service?" a puzzled look often follows.

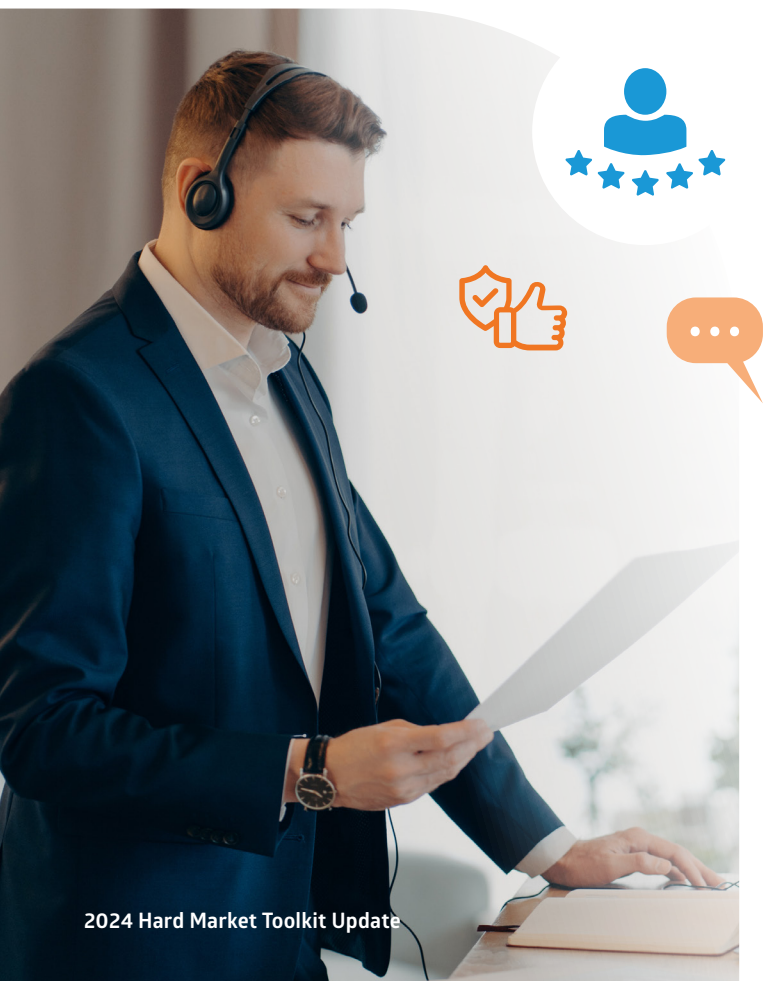
There are challenges with claiming "We give great service." The fact is great service differs from one person to another. Without written service-level standards, agencies are merely providing the best service they can each day.

Agencies have nice people, but the question remains: are they empowered with clear expectations?.

Key aspects to consider in customer service::

- Is there a standard phone greeting?
- Can the team place incoming calls into voicemail?
- What is the response time for calls or emails?
- Is it clear who handles which calls?
- Does the team practice first-call resolution?
- Is everyone equipped with headsets to empower efficient service?
- Does the team document interactions in the management system in real-time to prevent any issues from being dropped?
- Is there a written plan for covering work when someone is out?
- Is the follow-up process documented, such as how many times to follow up, what to say and in what format)?
- Are roleplay exercises conducted on how to handle an unhappy client?
- Is there a plan to manage the team's time and prioritize certain clients?
- Is the team skilled at encouraging late payers to enroll in EFT or pay in full to limit frustration?
- Does the team routinely ask for referrals, reviews and cross-sells?
- Is there a written claims process?

The only way to ensure that an agency is providing good or great customer service is to have documented and written expectations that are trained and rehearsed.



4 LONG-TERM STRATEGY

Selling on Value

While many in the industry believe they sell on value, secret shopper programs tell a different story. Many agencies inadvertently make the sale about price. When the cost is lower, the approach might differ. Conversely, when asking the client to pay more, agencies typically emphasize coverage and service. **To maintain a high retention rate, every new sale needs to be driven by value.**

Secret shopper calls reveal that 85% of the time agents build no significant value in themselves or their agency.

Retention starts at the point of sale. If sales agents fail to explain their agency's value proposition, the new client only knows what they are told.

In addition, 55% of secret shoppers stated that the agent treated the call more as a transaction than a relationship.

Agencies with a written and practiced sales process not only achieve a higher closing ratio but also improve their retention rate.



2024 Hard Market Toolkit Update

5 LONG-TERM STRATEGY

Client Nurturing

When a new prospect is asked, "Who is your agent?" and they respond with a carrier name, it's an ideal scenario because it indicates they do not have a personal attachment to their current agent.

If this situation is reversed, how many of your agency's clients can state their agent's name or company name? Clients who don't remember and lack a relationship with their agent also can't reach out for referrals, questions, or cross-sales. Most importantly, without a relationship, retention will suffer.

Too many agents adopt a reactive strategy, only contacting clients when payment is due, when there is a problem or when rates increase significantly. This often means that calls are only made to deliver bad news. It's no wonder clients may fail to see their value. Clients often do not understand when to call or why, leaving many inaccurately insured and vulnerable.

Agents with the highest retention rates take a proactive approach to build relationships and automate communication. Top agencies blend phone, email and text to connect with their clients, making it their responsibility to cultivate and deepen client relationships.

Recommended touchpoints for agencies to develop and use to connect:

- Birthdays
- Anniversaries
- Holidays
- Referrals
- Renewals
- Weather
- Claims



6 LONG-TERM STRATEGY

Metrics and Incentives

Agencies with higher retention metrics invariably track and share their agency metrics, while also aligning them with compensation. Still, many agencies face challenges, which often stem from the need for clear coding of remarkets in their systems, accurate renewal of non-download policies, and ensuring that premium and revenue figures are correct in their systems.

While retention acts as the heartbeat of an agency, gathering the data can be cumbersome. Yet, many in the insurance industry love it because of the retention business model, making it crucial to master retention tracking. Each management system may track retention slightly differently, so it's vital for agencies to work with their management system to understand its retention model.

Key metrics and a calculation for agencies to track and share:

$$\frac{[\# \text{ of expirations} - \text{lost business}]}{\# \text{ of expirations}} = \text{agency policy retention rate}$$

Tracked by policies, premiums, and revenue.

Once the agency trusts its metrics, it can extend this calculation to a rolling 12-month number.

Additional recommended metrics to track and share:

- Agency growth
- Cancellations
- New business
- Terrible clients that were relocated to the competition
- Cross-sales
- Coverage increases
- Remarketing hit ratio
- Referrals

It's important for the service team to focus on management system accuracy but many agencies struggle with motivating and incentivizing their team. While producers may be somewhat straightforward to incentivize, service staff can present more of a challenge.

Some agencies provide a quarterly bonus based on book growth. This approach supports the service team in assisting new producers, striving to retain clients, limiting remarketing, getting enthused about large audits and cross-selling.

Distributing 10% of the department's growth as a quarterly bonus proves even more effective when agencies can present metrics like the graph below every quarter. In hard markets, when the team is working harder, this can be an excellent way to reward them as the book grows due to rate increases.

<div> <div>Bonus Pool</div> <div>12% Commission</div> <div>10% Growth Distribution</div> </div>	
Starting Estimated Premium	Current Estimated Premium
\$9,001,666	\$9,387,759
Growth Premium	Current Estimated Premium
\$386,093	\$46,331
<div>Bonus Pool</div> <div>\$4,633</div>	

7 LONG-TERM STRATEGY

Renewal Reviews

Renewal reviews drive an agency's retention. Being proactive is the best strategy to protect an agency's retention rates. Even though everyone might be stressed, burned out and challenged by the current market, it is critical for clients to hear directly from their agents about the options available.

Renewal reviews are also a great time to remedy several other agency challenges. During a review, staff can update contact information, increase cross-selling and coverages sold, offer increased limits, find out about new exposures, reduce errors & omissions exposure, clean up files and create referral opportunities.

The hard market has proven the need for agencies to have a strategic plan in place. Clearly documenting, training and executing a retention initiative benefits everyone, from team members to clients. Implementing one of these strategies each quarter will increase retention rates.

In a hard market, the necessity to train the team cannot be overlooked. While it may seem like there is no time or limited time to do it, that is the exact reason teams need training.



We offer resources to support your agency in the Hard Market:

Check out all sections within the complete version of the Hard Market Toolkit brought to you by Trusted Choice.



All Sections included in the complete Hard Market Toolkit Expansion:

- Hard Market Overview and Update
- Selling Strategies in a Hard Market
- Enhance Your Communication Strategy
- How and Why to Showcase Your Agency's Community Involvement
- Communication Strategies for Commercial Accounts
- Seven Strategies to Drive Retention for the Long Run
- How to Stop a Cancellation
- Email and Digital Templates
- Extensive Appendix of useful external links, downloads and resources

Download the complete Hard Market Toolkit Expansion:
trustedchoice.independentagent.com/hard-market