

HARD MARKET TOOLKIT | CASE STUDY

Investing in internal support drives value for a larger agency

<p>Anonymous Insurance Agency</p>	<div data-bbox="649 703 711 766"></div> <p>AGENCY BACKGROUND</p> <p>Commercial lines represent 60% of revenues for this Midwestern agency, and personal lines and employee benefits represent 20%, respectively.</p> <div data-bbox="1307 697 1507 827"> <p>60% COMMERCIAL 20% PERSONAL 20% BENEFITS</p> </div> <div data-bbox="1318 846 1466 982"></div> <div data-bbox="649 907 711 970"></div> <p>WHAT'S UNIQUE</p> <p>The agency is not a member of an aggregator nor a subsidiary of any other financial institution. It has grown organically by one or two acquisitions a year. Acquisitions are chosen by their fit with the agency's customer service philosophy.</p>
<p>FEATURING Head of Commercial Lines</p>	
<p>IN THE MIDWEST</p>	
<p>AGENCY SIZE 100+ EMPLOYEES</p>	

CHALLENGES

The agency is encountering obstacles especially with the mid-sized mutual carriers that it uses. Those companies are more exposed to their reinsurance underwriters — forcing them to raise prices, impose lower limits or even exit certain classes of business.

FOR EXAMPLE, one regional carrier that had been writing \$1 billion-plus in personal lines for the agency has now exited personal lines. Another carrier that had been writing the agency's foundry business customers has also exited the market. The firm has had to remarket its entire foundry line.

CARRIER OBSTACLES



- Higher Prices
- Lower Limits
- Fewer Carriers per Business Line

INNOVATIVE SOLUTIONS

One of the agency's approaches for commercial lines customers is to "build a story and history with the carrier." This is not a set-and-forget tactic. Rather, agents strive to create a relationship so that when unique risk situations arise, the carrier has the confidence in the customer to provide some underwriting latitude. However, the hard market is resulting in some situations where a customer's budget cannot tolerate the size of the rate increase or new underwriting or policy restrictions. In those cases, the firm is remarketing the business. As a result, the agency must engage the carrier 120 to 150 days out from renewal for a preliminary quote instead of the typical 90 days. The agency needs the extra time to apprise the client and seek other bids if warranted.

Of note, the firm also has specifically hired seasoned account representatives whose sole responsibility is to lessen the time-consuming service burden on producers and to oversee customer renewals. This has required an investment by the agency, but one that its principals believe will pay dividends in retention and new business.



Enhancing Relationships
with Regional Carriers



Proactive Renewals
120-150 Days (vs. 90)



Invest in Support Staff
Reduce Task Burdens



APPROACH TO HARD MARKET

“A lot of education” is the centerpiece of the agency’s approach during all types of market cycles. The firm recognized that most companies’ budget cycle is months before their fiscal year begins. During regular customer meetings and calls, producers tell clients what they believe the customer can expect regarding pricing, policy and underwriting restrictions during the upcoming cycle.

When the agency learned more than a year ago that their carriers were receiving higher reinsurance renewals and coverage restrictions, producers began informing their customers that the hard market was coming. The principals believe the message about the hard market is sinking in. Producers strive to give customers more time to react, and if need be, will remarket an account to avoid a frenzy between the carrier, agency and client.

FULL-CIRCLE CLIENT SUPPORT



- ✓ Increased Education
- ✓ Proactive Communication
- ✓ Setting Honest Expectations on Approaching Impacts



The firm’s communication channels include social media assets, especially LinkedIn. Agency marketers craft agency-specific content to make communication as relevant as possible for their customers. Recent efforts have highlighted the hard market and legislative or regulatory initiatives, especially workers compensation.



RETENTION AND NEW BUSINESS

One strategy for generating new business the agency is pursuing is to seek **cross-selling opportunities** for commercial lines business through the employee benefits side of the agency.

“We have long set up a referral aura among our business lines,” the firm’s commercial lines director says. When a benefits client expresses dissatisfaction with the commercial coverage they were procuring through a different agency, the benefits account reps offer to introduce their commercial lines colleagues to see if they can be of help.

LOOKING AHEAD

“We believe that eventually the hard market will diminish but our investment in account execs—focusing on service to free up our producers—will result in account growth that we would not have otherwise obtained,” the commercial lines director says.