



Written By Kevin Trokey

THE HIGH COST OF INSURANCE AGENCIES NOT FACING THEIR FEARS

I don't have to tell you; it's scary times in our industry. We talk to agency owners every day who are afraid. There are many insurance agency fears, but the most frightening thing for most is the concern over their ability to grow their agency predictably in the future.

While the current changes and disruption the industry is experiencing has caused the fear to reach a fevered pitch, the circumstances driving that fear are nothing new. Until now, the fears have been ignored.

You may have heard us say before, "The financial reward for mediocrity in our industry has been way too high." It's this historic financial reward that has allowed agencies to survive, even thrive, despite irrational reactions (or avoidance) to their core fears. Unfortunately for many, with bonuses/commissions being slashed, they are being forced to face those fears. They have to respond in, what is for many, very challenging ways.

The cost of not addressing their insurance agency fears in a healthier manner will be the ultimate price of maybe going out of business.

Be honest, do you experience any of these fears? If so, how are you responding?

PROSPECTING FEAR

We see agencies that are so afraid to pick up the phone that they pay outside firms to do their prospecting. This might be fine if it was done effectively, but that is rarely the case.

The high cost of this fear – Empty pipelines and inadequate growth rates.

Overcome the fear – Prospecting is the scariest and most difficult part of a scary and difficult job. However, producers are paid exceptionally well to do that scary and difficult job and must be held accountable for performing. And, if you're not going to hold them accountable and choose to outsource the prospecting for them, then adjust their compensation accordingly. But don't even consider this unless you take the time to create clearly defined processes and messaging to ensure the effectiveness of the lead generation firm.

REFERRAL FEAR

Not only do we see agencies afraid to call strangers, we see agencies afraid to call their clients for referrals. It's not that they don't know the value of referrals, but they are either uncomfortable asking or not prepared to do it successfully. Agencies so clearly see the value of referrals that many pay others (e.g., benefits agencies with P&C agencies) to bring them the referrals they are afraid to ask for themselves.

The high cost of this fear – The high cost here is two-fold. The first is an opportunity cost when agencies won't ask their own best clients. They lose the opportunity to put high-quality leads in the pipeline, and they lose the opportunity to enhance an already strong relationship (people do like helping other people.) The second is a real cost. A one-time referral fee would be fine, but we often see agencies paying new and renewal commissions to the referral source indefinitely; we've seen the split as high as 50%!

Overcome the fear – It is human nature that we want to help people who have helped us. Your best clients are more than willing to help you if you make it easy

for them. Do a little research to identify other businesses they know to whom you would like an introduction and ask. If you will ask them for referrals and make it easy by already having the list of whom you want them to call, you WILL get referrals. With a full pipeline, you won't have to worry about paying someone else to generate referrals for you.

RETENTION FEAR

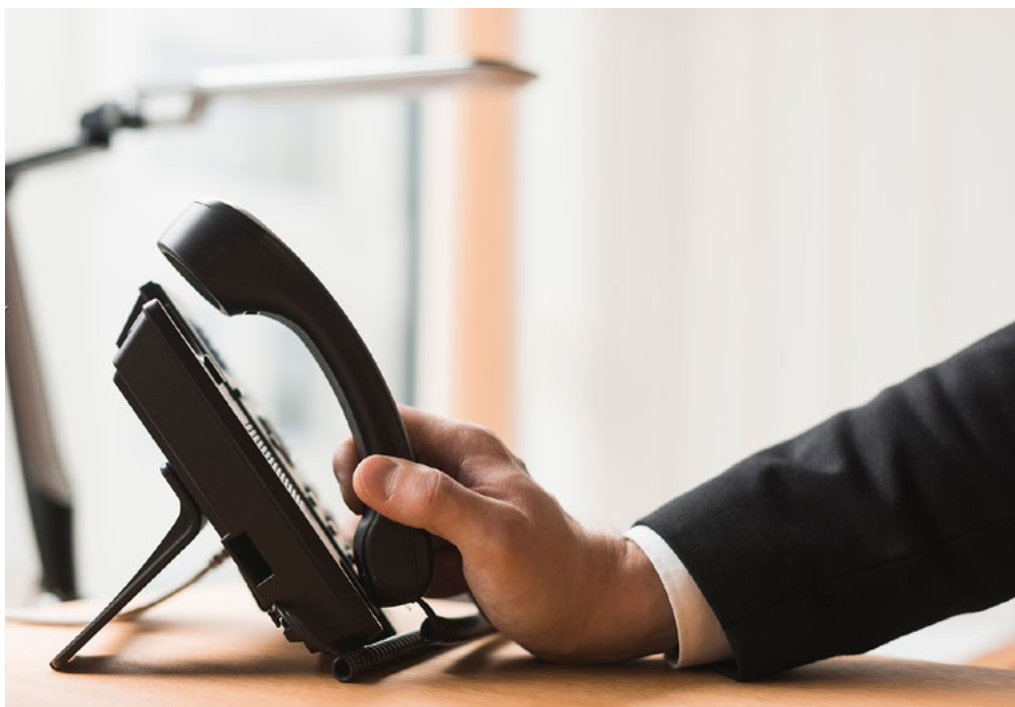
This one may be the most mind-boggling to me of all. We have seen agencies who are so afraid of being able to retain an account in the absence of the producer that they continue to pay commission to the producers even after the producer leaves.

The high cost of this fear – What was probably a marginally profitable account, to begin with, becomes even less profitable.

Overcome the fear – Make sure that every client has a relationship with the agency rather than with the producer. This fear doesn't merely manifest itself when producers leave. Because of this fear, agencies allow producers to remain OVERLY involved in the servicing of the account. This, in turn, takes them out of new production activities and leads to a self-fulfilling prophecy of depending on the producer.

PRODUCER FEAR

We see agencies that are actually afraid of their producers; or at least that's how it appears. Why else would they not establish meaningful production goals, make the producers accountable for hitting those goals, and get rid of those producers who are unable or unwilling to do the job they were hired to do? Why would they not tie their compensation to the new business results they hire them to produce rather than rewarding them



for sitting on a book of business?

The high cost of this fear – When agency owners don't hold producers as accountable to their job (ALWAYS producing new business) as they do others on the team, the cost is devastating. The agency has no predictable growth, there is a loss of team confidence, the agency's reputation suffers, and profit margins disappear (the cost to service continues to go up even if revenue isn't growing).

Overcome the fear – Reward the behaviors that drive the results you need. For a producer, this means paying them generously for new business (even more than what the industry typically pays), reasonably for renewal business (way less than what the industry usually pays), and over-the-top for over-the-top levels of new production. In the end, this is a model that is WAY more rewarding for your top producers.

FEAR OF DELIVERING RESULTS

We see agencies that are so afraid of their ability to deliver results that instead of charging clients for new services/resources, they continue to pile on new services "for free." If the agency knew they could use that new service/resource to bring more value to their clients, they wouldn't be afraid of asking to be paid more for doing so.

The high cost of this fear – Obviously, giving stuff away for fee results in a reduced profit margin. However, worse than that is the opportunity cost of not strengthening the relationship by bringing, through effective solution implementation, increasingly more value and results to the relationship. Your clients will find improved outcomes somewhere; if it isn't with you, it will be with your competition.

Overcome the fear – Every new solution/resource addresses a specific need.

1. Start by clearly identifying what that need looks like when it is present in the business of a prospect or client.
2. Establish the questions you will ask to help the prospect/client see that they are struggling as a result of that need.
3. Establish a plan of implementation for your new solution/resource to ensure the need is addressed successfully, and improved results are delivered.

WE GET THE FEARS

I get how genuinely terrifying these fears are; I understand how difficult it is to bring this kind of change to your agency. But you have no choice. If you don't face the fears, if you don't bring the change, you are on a dead-end path.

Change is beyond difficult, and we typically don't change until our current reality becomes scarier and more complicated than the change itself. If you haven't been honest with yourself yet, I will tell you that you have likely reached that tipping point.

If you are ready to face your fears and bring healthy change to your agency, but are unsure how to get started, let us know; that's what we do. ■

Kevin Trokey is the Founding Partner of Q4intelligence, a marketing and sales enablement firm committed to the preservation and transformation of the independent agency system. He writes prolifically regarding the many challenges being faced by today's agencies, providing guidance to overcome those challenges. He is a frequent industry speaker and was recognized by the National Association of Health Underwriters as their speaker of the year in 2016.

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1111 Superior Avenue East
Suite 2500 Cleveland, OH 44114

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