One Glorious Day

By Chris Burand

In a future approximately 476 days from today, today being the day you read this because the clock begins ticking upon you reading the article title, producers will become obsolete. Agency owners will rejoice not having to have producers and not having to manage producers ever more.

Producers will become obsolete because three progressions will occur simultaneously. These progressions are tied together in a mind meld, irrevocably linked but invisible to humans.

The first progression will be that both consumers and businesses will call your agency on their own, with no effort on your part. You will no longer have to actually ask for the sale. Be careful to go outside that day because gusty winds are expected. Meteorologists will be perplexed by the wind because high pressure will not be forecast. The high pressure will be created by the combined sighs of relief of agency owners and producers who never wanted to make sales knowing they never more have to stress about making sales.

The second progression will be that consumers and businesses will become insurance experts. They will know exactly what coverage they need. They will know all the forms too. They will give you an exact order.

They will just need you to place the business. The transformation will be similar to "name your price" insurance but the buyers will actually know what they are doing.

The third progression will be divine because the agency will have a 100% hit ratio. Unlike the currently low hit ratio and current low quality of most agency related internet quotes, each consumer and business will only call the agency with which it is divinely meant to be matched. Call it divine intervention if you will.

On the 523rd day after you read the title of this article, agencies will become obsolete. You see, a computer program can be written easily enough that places insurance automatically for any kind of insurance if the customer will simply provide the parameters. In between the 477th day and the 522nd day though, those 50 days will be one great party for agency owners!

Do You Love Your Agency Enough to Change It?

I am often asked to advise an agency owner on how to improve his/her company and yet, they already know what needs to be changed. Sometimes they just need an independent confirmation. Sometimes they need a third party to break a tie vote between partners.

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Do You Love Your Agency Enough to Change It?

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Sometimes they know the answer and they are hoping I can provide an easier solution. In these cases my job becomes one of creating enough urgency for the owner to execute the difficult solution on their own.

In this last scenario, the question often becomes, do you love your agency enough to force change? This question is more complicated than it first appears. Agency owners generally can be divided into two categories: The first group has personalities that cope better with painful, emotional discussions. They are more fortunate and more rare.

The second group is much more common. These agency owners’ personalities are such that any type of difficult progress is nearly impossible for them to address. Unless pushed to the brink, they may not be capable of leading change if pain is involved. This is because change usually involves conflict from their perspective and they avoid conflict at all cost. The situation is so common I’m willing to bet everyone reading this knows someone running an agency who is a conflict avoider. These owners see conflict even when conflict really does not exist. Any kind of conversation in which they think the other party may be unhappy creates significant stress, anxiety, and often paralysis.

For these folks, love of their agency is not enough per se. I feel for these people because their lives are tough. Their situation is often debilitating. While I am obviously not a doctor, I have read many researchers’ opinions that this is a true disorder. The question then becomes similar to a treatment program. Do the owners want to decrease their anxiety and increase their success enough, in many areas of life, to get coaching (deep coaching—not the vanilla kind advertised and sold all over)? Then they can answer the question of whether they love their agency enough to lead change and to truly thrive.

Why is loving your agency required to lead change? Because in many agencies, the current model is playing to not lose. The model is not designed to win. I see this reality played out over and over when I visit agencies, even agencies that on the surface (or covers of magazines) appear to be playing to win. Models designed to not lose have specific cultures and that culture must be broken and a new culture built. The willingness to break a culture requires guts, a willingness to inflict pain, a willingness to fire, a willingness to be cruel in order to be kind. Shakespeare said it best in Hamlet, “I must be cruel only to be kind. Thus bad begins and worse remains behind.”

Only psychos are completely without stress when inflicting pain so it is normal to be stressed out when leading change. This is why tremendous love is required.

Thinking as a parent when, sometimes their child must learn on their own, even if the lesson is painful, only a parent’s love for their child can exceed the regret of knowing the child will feel pain.

Do you love your agency enough to get the coaching you need so you can lead change? If so, I have the resources required to help.

Chris Burand is president and owner of Burand & Associates, LLC, a management consulting firm that has been specializing in the property/casualty insurance industry since 1992. Burand is recognized as a leading consultant for agency valuations, helping agents increase profits and reduce the cost of sales. His services include: agency valuations/due diligence, producer compensation plans, expert witness services, E&O carrier approved E&O procedure reviews, and agency operation enhancement reviews. He also provides the acclaimed Contingency Contract Analysis® Service and has the largest database and knowledge of contingency contracts in the insurance industry.

Burand has more than 20 years’ experience. He is a featured speaker across the continent at more than 180 conventions and educational programs. He has written for numerous industry publications including Insurance Journal, American Agent & Broker, and National Underwriter. He also publishes Burand’s Insurance Agency Adviser for independent insurance agents.

Burand is a member of the Institute of Business Appraisers, a department head for the Independent Insurance Agents and Brokers of America’s Virtual University, an instructor for Insurance Journal’s Academy of Insurance, and a volunteer counselor for the Small Business Administration’s SCORE program.

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WHEN YOU'RE UP TO YOUR ANKLES IN ALLIGATORS, IS STRATEGIC PLANNING IMPORTANT TO INSURANCE AGENCIES?

Many people go years without visiting their dentist or doctor unless they have a pressing ailment - and for most, they don't suffer impairment as a result and their teeth don't rot and fall out.

But when cavities arise, they are most efficiently treated before they cause severe pain. And, if your body changes with age, it is best to find out what's happening and resolve medical issues before surgery is necessary to correct a problem.

Strategic Planning to some business owners is a cross between visiting the dentist and having a check-up and praying that the doctor finds nothing wrong.

But, in reality, Strategic Planning in a business is pro-active preventive maintenance and making course corrections to assure the growing and continued health of your business.

I am a first generation American. My parents, being from stout European stock, had a common superstition that you don't talk about death, illness, or most other bad things for fear that they will happen if you talk about them. Of course, they also believed that you didn't talk about good things, either, for fear that if you spoke about them they wouldn't happen...so go figure...

But as we have helped hundreds of agents create Strategic and Tactical Plans for their business, we've noted the same attitude of discomfort discussing either the good or bad that could happen. They prefer putting their "shoulder to the wheel" and "nose to the grindstone" to achieve the best results possible under the changing circumstances of life.

Of course, the usual result of putting "shoulder to the wheel" and "nose to the grindstone" is sore shoulders and flat noses and really has little to do with success.

One of my favorite quotes is found within my signature block in my e-mails from Thomas Jefferson, "I'm a great believer in luck, and I find the harder I work, the more I have of it."

But Jefferson was not speaking of blindly working, head down until one falls over. He was a well-known planner with pragmatic as well as lofty goals. His statement was intended to be the back end of planning - dedicated work toward goals in ways that are likely to permit their achievement.

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Alligators & Strategic Planning

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I am (and my business is) a "7 Habits" follower. Almost everyone has heard of Stephen Covey’s 1989 book, “The 7 Habits of Highly Effective People.” Over 40 Million copies have been sold and Abebooks lists it as the #1 seller of used books (by far) since 2000. I strongly urge you to purchase and read it - as it can change your life. All of his habits are based in the principle of Planning.

So if Strategic Planning is so important, why doesn’t everyone do it?

The belief is that it's hard and requires you to look inward to your strengths and weaknesses and become proactive in pursuing your strong points and correcting personal and organizational weaknesses. Most insurance agents have healthy egos, but just as it takes a level of comfort to deal with your own mortality (life insurance and perpetuation/succession planning), it takes a similar level of comfort with yourself to plan ahead for the growth and profitability of your business. And, unfortunately, many high ego people are, in fact, quite insecure and afraid of confronting their own demons.

The most prevalent excuse we hear from agents is, "We work as hard as possible every year to retain business and to grow our client base. We don't have time to plan. We should be selling insurance instead. And, anyway, we can never predict how much we will retain or how much we will sell every year."

In reality agents who plan are much more successful and more consistently successful than agents who don't plan. But that shouldn't surprise anyone. Planners tend to actively implement and monitor their well thought out strategies. Just the activity of doing something (anything) will yield better results than doing nothing (simply hoping that clients will stay and new ones will come to you).

Agencies that Plan once and stop, fall into the same common traps:

1. Lack of commitment - If the owners are not fully committed, the Plan is certain to fail.
2. Lack of leadership - a Plan is not a replacement for strong leadership. If you don't have at least one leader, fix this before you begin planning. A leader becomes the "champion" of the Plan.
3. Not including everyone to participate in the Plan - A plan is not for owners, it's for everyone - if the folks who sell and service the clients don't understand why they are pursuing new goals and action plans, the plan will fail.
4. Concentrating on the goals and objectives instead of on the Action Plans - Action Plans form the "how to" of the Objectives that define the "WHAT to accomplish". The important part of planning is setting the different work effort that will yield the desired results.
5. Planning because some consultant or magazine tells you it's the right thing to do - This results in expensive and pretty "Shelf Plans" (bound volumes that are only looked at to see how far we missed our goals). Planning is not supposed to be a prediction of what will happen nor is it to be shelved for future reference. It is a working tool for operating your agency and it will spoil, not age like fine wine, by leaving it unattended for a year.

Guides to forming Strategic Plans abound. If you would like a guide to Strategic Planning, simply e-mail me and we will be glad to send you one (al@agencyconsulting.com). But you can also get plans to build your own house and there are some pretty descriptive videos on YouTube on how to pull your own teeth.

Planning, like construction and dentistry, is best done with professional help. Even though we have helped agents plan for over 35 years, we still use an impartial professional to help us create our own plans. We encourage you to develop and implement a Plan. Once you succeed it becomes second nature and an annual event.

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COMPENSATION AS A STATE OF MIND

Employees as Tools or as Assets

When we created our Incentive Compensation Program (ICP), we did so to convert insurance agency compensation for non-producer employees from the subjective, merit-based or longevity-based form of compensation to a program that pays employees for their productivity to the agency.

We found thousands of insurance businesses paying employees based on longevity alone or based on how the manager/owner felt about the employee’s value to the Company when raise time came about. We found many agencies paying their service and administrative employees at the same rates regardless of their true value to the agency for the sake of “equality”.

The agents were afraid that they would lose employees if some were paid more than others. There was no consideration of how productive or how much actual value was returned by each employee for the dollars spent, primarily because there were no metrics that provided that value picture to the agency owners.

As you can imagine, motivated employees, seeing the non-motivated employees getting the same raises became less motivated and the agencies were consequently much more likely to lose their best employees than their worst as those strong performers felt cheated because of the pay equality exercised in the agency.

But even as we converted agency after agency to a much more objective ICP we found a strange level of resistance from the very agency owners who, intellectually, understood the value statement that “different employees have different values to the employer based on their productivity to the business”.

The agency owners, themselves, differed in their states of mind regarding how they valued their employees. This attitude difference points directly to the maturity of the owners and to how they viewed employees.

The Employee as a Tool

Many agents look at their employees as necessary costs to do the work associated with the administration of an insurance agency. They try to find the least expensive employees who can service or administer the transactions for the customers and for the agency. Most of these agency owners are Profit-Centric and Producer-Centric.

The concentration of a Profit-Centric business is to maximize the return on their investment by generating the most income for the least cost that still keeps the customers with the agency and the carriers satisfied that the agency is accomplishing the tasks associated with the sales and retention of profitable customers. They are fixated on spending the least to get the job done.
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Compensation as a State of Mind

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Producer-Centric agencies abound in the U.S., and agents who are in this domain are proud of their concentration. They traditionally value the employees who sell the product and discount the value of the employees who are transaction-based or whose role is to keep the customer satisfied. They overlook any issues or problems with producers as long as they are bringing business into the agency. Their attitudes about those producers change dramatically once they stop generating growth.

So Profit-Centric and Producer-Centric agents look on their service and administrative employees as tools to get the job done. They see value in using the least expensive tools needed that still accomplish the tasks at hand. So many of these agents neither evaluate nor give raises to employees unless they are asked or pressured into doing so. Why upgrade your tools when the old ones are doing a credible job? They don’t replace or upgrade tools until one wears out or breaks. And, even then, they begrudgingly hire replacements and pay more only because the market has forced them to do so.

The Maturing Process - Some Do - Many Don’t

Whether from chronological maturity, or because of the bitter lessons learned by hiring the cheapest people available to do the job, some agency owners become aware that they are much better off hiring, developing, and paying more for the types of employees who are ASSETS instead of simple TOOLS for agency administration.

This is most felt when these maturing agency owners find management of their growing employee force beyond their personal desire or ability. As agencies grow beyond five or ten employees it becomes harder to treat the employees like “helpers” to the agent, basically doing what the agent does not want to do, cannot do, or finds it a less profitable use of his time to do personally. When you have enough customers that you can no longer go out and sell insurance because of the number of daily calls for service demanding your time, you hire “helpers” to maintain those contacts and to do those transactions, allowing the owner/producer to do what is most profitable to him and to the agency. As you build a book of business, you also build a team of “helpers” to service and administer. But once you reach a size that finds you with five, ten, or more of these CSRs, Account Managers, and Service Assistants, most agency owners realize that they are now ‘herding cats’. It becomes next to impossible to have all the staff handling transactions in the same way. And it takes more of the owner’s time than they can afford to tell the staff what to do on every transaction. Most owners don’t enjoy the management process.

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So they promote or hire a Lead Worker, a supervisor, or a manager.

If the agency owner is still stuck in the Tool stage of their maturity, they promote and expect the employee to do the same level of work for the agency AND to manage the other employees to consistency and productivity. The owners consider ‘management’ a simple task in addition to a regular job (even though they find it difficult to do, themselves). This rarely works well. The other employees don’t want to be directed by someone who is their equal and who does the same job as theirs. Nor does it work well to have an employee manage friends.

Eventually the owners realize that true management is a full time job for agencies with many employees and complex needs for service and administration. They are either stuck in their Tool mindset and never find satisfactory managers or they mature and begin to understand the value of productive employees over drones and of real managers over supervisors of work.

Customer-Centric Agencies

The agency owners who mature in their treatment and consideration of their employees seem to always convert their ownership attitudes from Profit-Centric and Producer-Centric to Customer-Centric. A Customer-Centric agency is always aimed at the best interest of their customers. They realize that if they are always customer-centric, their businesses seem to thrive and grow, their customers (and carriers) are much more positive about the agency, and their production staff treats their employees as team members without whose help they couldn’t effectively do their job. Most agents who become Customer-Centric start treating their employees differently. They are no longer simple tools. They become individual assets to the agency, some more valuable and others less so.

Employees as Assets

The lucky few owners who reach the peak and begin to understand that some employees are more valuable than others because of their motivation and productivity allow themselves and their organizations to develop and mature into self-sufficient entities that grow and prosper beyond the control and the abilities of the owners, themselves. The owners no longer look at either employees or managers as simple tools to get the job done. They now see them as leveraged assets that can make the business more profitable beyond the influence of the owners, alone.

This is when the ICP becomes a useful tool for the agency.

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Compensation as a State of Mind

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Once owners understand that more productive employees are worth more than less productive employees the ICP becomes a valuable tool for compensation and employee development. Once owners realize that motivated employees who are taught that the more productive they become, the more valuable they become (and the more money they can make), can drive the agency to greater growth, greater retention, and greater profits without the constant influence of the owners, themselves, and the size of the business takes off.

Some of these owners learn this lesson on their own. A common thread links owners who have learned this lesson. They are in constant wonder for the rest of their careers that the business can become as successful as it has. They never quite believe that they, themselves, were the driving force of their own success by paying staff based on different values of each employee and by hiring and trusting the best managers that they could find and rewarding them based on the key metrics of the ICP, growth, productivity and profitability.

The ICP as the Educator

The ICP is implemented in agencies over several years. We do this because of the culture change required to teach employees the difference between the 'Nine-to-Fivers' and motivated employees. Some employees will remain drones, working the hours required for a paycheck. Even if they become more productive, they do so because of the influence and changes imposed by good, strong managers. Other employees realize that their performance can be measured and can influence their degree of success in their jobs and their careers. In some cases it's simply a matter of showing them that the more productive they are the more money they can make. In other cases, the employees seek respect, gratitude for a job well done, and vertical movement in their careers to develop into more than a processor. In either case, if the ICP and maturing owner/managers provide the vehicle for employee development, the smart employees - the true ASSETS of the business-- will catch on and will be charged to progress their careers (and the agency results alongside their own success).

The strange but natural result that happens as we educate the employees who are most affected by the ICP is that the agency owners, themselves, also mature and are educated by this process.

Initially, the owners grasp the concepts of the ICP because of its logical simplicity - pay people according to their productivity gains instead of simply because they have been there another year. Eventually, the owners begin to understand the value of management and the metrics that are absolute necessities in ICP agencies.

Either the owners, themselves, become true managers of people and workflow, or they promote or hire true managers who we tutor into the concepts of productivity and incentive compensation. Either way, as the ICP takes hold some strange challenges make themselves apparent to the owners.

First, some owners rebel (sometimes several times) over the first several years because they are asked to actually pay their employees based on the agency's growing success. Remember, these owners have spent years, decades and, sometimes, generations, thinking of employees as TOOLS, not as ASSETS. And they previously discounted completely the value of dedicated managers. So they ask us if they really have to pay based on productivity gains or if they can diffuse the amounts of the raises, giving employees "some" raise, but not necessarily, as promised, raises tied to productivity gains.

This is the first break-point of the ICP concept and the challenge to the growing maturity of the owners. If they disregard the intent of the ICP, the employees (especially those who understood and were aware of the intent of the ICP) will understand that the owner is reneging on the program and will stop trusting either the owner or the program. The employees are much more intelligent about a program that affects their compensation than most owners believe.

Most owners don't grasp the progression of the program from its 'pure growth' stage through its 'growth/profitability' stage and to the final, 'productivity/profitability' environment in which the ICP becomes a mature program. They read and understand the concepts intellectually but fail to grasp the hidden fact that the ICP program self-correction formulas adjust raises to department and agency profit levels. The agency always profits more than the employees even though the employees and managers who are performing to desired levels find themselves much more enriched than either their peers within the agency or, certainly, than their peers in the industry outside of the agency.

This, final piece of the puzzle, only becomes obvious in later years of the program as the self-correction formulas adjust raises to department and agency profit levels. The agency always profits more than the employees even though the employees and managers who are performing to desired levels find themselves much more enriched than either their peers within the agency or, certainly, than their peers in the industry outside of the agency.

So if owners fall back to their concepts of employees as TOOLS and lower the ICP rewards, they will risk losing some of their most productive employees if alternatives are available to them. If no alternatives exist the employees will stay in a less motivated position. The owner's choices will basically restrict the agency's further development based on the limitations of the owners.

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Compensation as a State of Mind

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Happily the progressive owners who have implement the ICP (and our other progressive programs like the Producer Compensation Program and the Asset Protection Model of Relationship Selling) are more likely only experiencing temporary 'buyer's remorse' when faced with the reality that when the agency performs well they must pay the employees accordingly. They get over that problem as the agency continues to thrive beyond the direct activities of the owners themselves. The employees and managers are motivated to do exactly what the owners desire - grow the agency, and make more profit. If they don't accomplish that objective, they don't get an increase in compensation.

But, be warned, the regression of owners may take place two or three times over the first several years of the ICP as the employees and managers are paid higher salaries commensurate to the agency's growth and increasing profit. The owners sometimes forget that when you consider your key employees ASSETS instead of TOOLS, you nurture and develop them as the agency can afford it and they become highly paid and remain highly motivated to continue developing their roles and the agency.

WHAT'S THE DIFFERENCE BETWEEN A TOOL AND AN ASSET? A TOOL IS USED FOR THE PURPOSE FOR WHICH IT WAS PURCHASED UNTIL IT IS WORN OUT. AN ASSET IS AN INVESTMENT. ASSETS WARRANT DEVELOPMENT AND ARE SUCCESSFUL WHEN THEY BECOME EVER MORE VALUABLE. ASSETS MAY GROW AND EVOLVE NEW AND EXCITING USES - TOOLS ARE MEANT FOR ONE TASK AND ARE USED ONLY FOR THEIR LIMITED USE FOR THEIR PRODUCTIVE LIFETIMES.

ARE YOUR EMPLOYEES TOOLS OR INVESTMENTS?

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Producers are like plants in a garden. Some of them will not yield fruit regardless of what you do for and to them. Others will thrive if planted properly, fed, watered, fertilized and weeded to maximize their chances for production. A very rare few will thrive regardless of what you do or don't do for them. Producers will leave if given other opportunities when they are not supported properly by the agency.

The job of the producer is to create, build and convert a prospect relationship into a client relationship. The job of the agency is to create those opportunities for the producers frequently enough to make the producer profitable for the agency and for themselves.

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THE SOLUTIONS

Pay Them Fairly - We have provided much information about Compensation Programs for experienced producers vs. new producers, Base & Growth Model compensation instead of New/Renewal Compensation, Tiered Compensation to reward more productive producers, Self-Terminating Producer Agreements that penalize producers who shrink instead of grow, and Activity Based Validation Schedules. Please call us for a consultation if you need us to help you create the tools for producer management.

But the key to fair compensation is to pay producers at least what they would get at competitor agencies.

The Agency as Prospector - Most of us would love to give leads to every producer. But we don’t know how! There has been much written (by us and others) about the agency defining its target markets and creating marketing programs in favor of the producers. Remember, the producers are a part of US, not independent entities working for us, for others, and for themselves. Not providing leads is like not feeding our children because they are expected to ‘fend for themselves’. Nurture your producers as if they were your offspring. Yes you will be “feeding” them and helping them to maximize their earnings. But if you feed them, you also feed the agency and if your pay scale is not wrong, the agency will be using the producers' production to support itself, throw off profit and earnings, and enhance its value to its carriers and to its owners. If you don’t know how to market because you’ve never done so before, call us (800 779 2430) and we’ll teach you.

Manage Your Producers - Even the most experienced producers need some level of management. Certainly the new producers need management to learn the ropes (sales, insurance, and how to deal with people) and to assure them and you that they are doing the right things to become successful. But new experienced producers and long-term existing producers for your agency also need touch points to keep them grounded and part of the team. It is far too easy for successful producers to become their own support system out of simple necessity - if the agency doesn’t provide that support they either figure out how to do it themselves or they fail. Once they create independent means of support they are on the slippery slope to asking the common question, ‘Why do I need the agency any longer?’

Make validation of compensation the opportunity to the expression of gratitude for the good work producers do and the opportunity for coaching and counseling to get them over the rough spots.

If everyone has validation schedules that justify their time through customer and prospect contacts, no one will feel themselves ‘above’ those measuring points and will continue to feel part of the agency instead of the agency serving their needs.

Maintain a Relationship with the Agency’s Customers to Protect the Agency - It is a foolish agent who has producers who generate clients whose only contact point with the clients is that self-same producer. Whether a service employee, an Account Manager or one of the agency owners (for key commercial accounts), the client should always know at least one other staff member and be assured that he is insured with the agency, not just with the producer. This must be done positively and pro-actively to avoid interfering with the relationship and to use the other contact points to strengthen the relationship between customer and agency. This action also avoids the producer believing that the customers are “his” - act like a team if you wish to be a team.

The producers should acknowledge the ownership of all clients with the agency when the producer is hired. We strongly recommend against equity sharing in books of business. If you create equity sharing potential, the producer is actually incented toward the best interest of his own book of business and against protecting the entire agency’s book of business. This action promotes segregation of books of business instead of integration. Have you ever had a producer who “insists” on having his/her own clients handled on a priority basis by service staff regardless of other agency priorities the staff may have on their desks?

Equity sharing in a book of business also creates the impression legally that parts of an agency’s book of business could be separated from the whole when, in fact, with the exception of brokered business, the clients of an agency have historically been owned by the agency. We spend much time in court each year protecting an agency’s asset base as owned by the agency.

Teach Them All They Need to Know, Not All You Know - Many agencies still act as if their agencies were simply another pocket in their personal financial bag. They share nothing and the staff, including producers, is unaware of anything having to do with agency performance.

Other agents have realized that sharing information is a sign of respect for employees and gives them a better handle on how to function in the agency. However, the pendulum swings from extreme to extreme. Many of these “enlightened” agents become too free with information. Sharing too much information with producers could lead them to conclude that they can operate without the agency.

Continued on page 20
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BUT I TAUGHT HIM EVERYTHING HE KNOWS

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They are usually wrong but sharing information is a balancing act. We aren't implying that you should have secrets or withhold information from your staff or from your producers. But, unless you are grooming your successors (in which case they must be taught all of the relationship and processes needed to assume your role) the producers have a specific role to play in the agency. They are a critical cog in the wheel of success. Their focus should remain on the relationship-building that is the key to their success.

To maximize the effectiveness of each producer, they should be freed from all functions that don’t relate to their building relationships with folks we don’t insure and maintaining strong relationships with agency clients. Key functions like marketing to insurance companies is most effective when done by staff members skilled in negotiating and fully acquainted with the underwriters and marketers of each carrier. Using producers to market is often counter-productive because they are too personally involved with each and every prospect and client they bring to the agency. They will ask for exceptions, and rarely accept the fact that some client hurdles are beyond the tolerance of their markets.

If you purify the roles of producers who are not going to become your successors to the tasks that will return the greatest benefit to them and to the agency (sales) you avoid many of the pitfalls that result in producers breaking away from an agency because they feel they can “do it themselves”.

Nurturing producers will maximize their effectiveness. Over-indulging them will have the same results as over-indulging children. They could become petulant, ungrateful and could turn on you. Many agents want their producers to become their successors. That’s fine, but don’t give them the keys to the castle before they have proven their loyalty, their value, and their intentions. First, they must prove success in production. Then they must become more concerned for the entire agency than for their own pocketbook or their own clients. Then they must be able to deal with your employees in a fair and equitable manner. Only then should you enlighten them by bringing them into relationships with the carriers. Those relationships open up the agency’s most valuable assets. Those connections should only come to those few who are identified as the next owners of the business.

MONDAY MORNING "I" OPENER:

George Nordhaus gives a quick overview of this year's Monday Morning progress... then a look at where Monday Morning and new services are headed.

The largest online library of insurance marketing and management information! The Monday Morning Webinar is the only mini-webinar of its kind in the insurance industry. Thousands receive it each week. We call them "mini-webinars" because they are generally less than half the length of live webinars on the Internet.

Each features one subject on marketing, management, technology or communications that affects independent insurance agencies. Presenters are chosen because of their prominent recognition as the experts in that particular subject. The visual aspects of the MM’s make them more meaningful and long-lasting than more simple “voice-only” presentations. The creator and interviewer is AgenciesOnline Chairman, and well-known marketing expert George Nordhaus.

Try Eastern Underwriting Today!

Eastern Underwriting Managers is an MGA located in Knoxville, TN. Eastern Underwriting Managers was founded by insurance veteran Garland Byrd with many years of experience in the wholesale arena providing products to Independent agents in the Southeast. Product offerings include, but are not limited to, workers’ compensation, small package, general liability for artisan and general contractors. Markets include coverage for new venture accounts including artisan’s contractors for both Workers compensation and General Liability for contractors that have operations that are 100% subcontracted. Additional, preferred pricing for restaurants, auto service repair for workers compensation and package business is also offered. Lastly, we can provide Workers’ Compensation coverage for healthcare and local trucking.

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Underwriting
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How well are you managing your independent contractors?

While independent contractors have their role and can make major contributions to an agency, they can also be your biggest headache. For this reason, there needs to be strong management of these folks to ensure, among other things, that they are handling the various tasks in accordance with the agency procedures. There is no doubt that Independent Contractors have caused more than their fair share of E&O claims.

It should be clearly understood and documented that Independent Contractors are held to the same standard and expectations regarding work-product, which apply to those employed within the office. In fact, it is highly suggested that the agency have a written agreement with Independent Contractors to ensure that there are no misunderstandings. Some issues that should be included:

Handling / Management of e-mail. It is vital that e-mails pertaining to clients / prospects are properly sent, stored and readily available for Sr. Mgmt to view. These should be monitored from time to time.

Voice Mail / E-Mail Disclaimers – there should be a statement in each that “coverage cannot be bound, added or modified without authorization from an agency representative.”

Use of the Agency Management Systems – Independent contractors are expected to utilize the agency system in the same manner as employees. This includes where information is located, when paper files are scanned into the system, what proposal template is to be used, etc.

How the Independent Contractor is promoting themselves. There is the possibility that the independent contractor is working for more than one agency. To ensure that there are no misunderstandings or issues should a problem develop, while independent contractors are working on behalf of your agency, they should be required to use official agency stationary, letterhead and business cards, etc. Without this, there could be some question as to who they were working on behalf of at the time of the problem.

Other key issues for those agencies using Independent Contractors involves to what degree are these individuals covered by your E&O policy. Some E&O carriers will agree to provide coverage on a blanket basis for all independent contractors while other E&O carriers require the names of those individuals listed on the application and updated as changes occur. Other carriers require that Independent Contractors are covered only where there is a written contract between them and the agency. Be sure to know how your E&O policy handles this issue.

More E&O Tips at http://www.agentseotips.com

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Questions? Contact Eddie K. Emmett at eddie@fyiexpress.com or (770) 312-2342.
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Is an intern an employee?

Mary was injured when she was pushed against a wall by a student. The incident occurred while she was interning in an Orange County School Board (OCSB) elementary classroom. The internship was unpaid but was a requirement of her coursework at the University of Central Florida (UCF). Mary filed for workers compensation benefits with both the UCF and OCSB and both denied her on the basis that she was not an employee. The Judge of Compensation agreed with Mary that she was an employee of OCSB because of the benefits they derived from her internship but OCSB appealed the decision.

Click here to see if Mary received any benefits and from whom.

Is an intern an employee under a Workers Compensation Policy?

This is a very difficult question to answer. The workers compensation policy does not define the term employee. Instead it refers directly to the workers compensation law. This means that each state defines employee within its law so an employee in one state may not be an employee in another.

Click here to review the PF&M analysis of the Workers Compensation and Employers Liability Insurance Policy.

Is an intern an employee under a Commercial General Liability Policy?

The term employee is defined only to expand its common definition to include leased employees but not temporary employees. If an intern is not an employee, two important exclusions would not apply to injuries to that intern. In addition, that intern would have no liability coverage available for actions committed while performing services for the benefit of the interning firm.

Click here to review the CGL exclusions that would not apply to an intern if that intern is not an employee.

Are you an interning firm?

Interning is common practice that is getting increased scrutiny as a wage and hour issue. Many benefits are derived by both the intern and the interning firm, but when an accident happens or when employment lawyers get involved, there can be serious consequences.

Click here for a recent Rough Notes article that discusses the intern problem along with other emerging wage and hour risks.
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Do CSRs have to be licensed?

**Do CSRs have to be licensed?**

The answer is “Yes” if:

- The CSR is a person who sells, solicits, or negotiates insurance.
- The CSR receives commission on insurance sales.
- The CSR handles endorsements and reinstatements.
- The CSR gives quotes for insurance.
- The CSR completes insurance applications.
- The CSR handles renewals.
- The CSR answers coverage questions.

**So just what can an unlicensed CSR do?**

Mostly managerial and clerical tasks only indirectly related to the above tasks. I’m not so sure they can even take payments since that is a vital part of insurance sales.

Check out O.C.G.A. § 33-23-4 in the “Laws & Regs” link at the bottom right corner of www.GAInsurance.org for a more murky explanation.

**So what should an unlicensed CSR do?**

If they are handling only Personal Lines P&C, a Limited Subagent license should do the trick.

The sponsor is responsible for their actions, a state exam is not required and they can take the required 20 hour pre-licensing course from the comfort of their desks for only $79.00 at www.Georgia-Agents.com.

It gets even better than that!

CSRs may study the 20 hour Limited Subagent course, take an exam and download a Certificate of Achievement for free. It serves as great refresher training on Personal Lines such as auto, home and renter’s insurance.

But if the CSR handles lines other than Personal Lines, a full blown agent’s license is required.

The Georgia Department of Insurance encourages the insuring public to report any complaints about insurers, agencies and agents.

The first thing checked is whether or not the person in the complaint is properly licensed for that transaction.

Here’s the scenario if the CSR is found to be in violation of O.C.G.A. § 33-23-4:

Any person who willfully violates this Code section shall be guilty of a misdemeanor and, upon conviction thereof, shall be subject to punishment as provided in Code Section 17-10-3, relating to punishment for misdemeanors.

Code Section 17-10-3: By a fine not to exceed $1,000.00 or by confinement in the county or other jail, county correctional institution, or such other places as counties may provide for maintenance of county inmates, for a total term not to exceed 12 months, or both.

That applies to the CSR, the agency owner, and the insurance companies who paid commissions to unlicensed entities.

I wonder if they assign adjoining jail cells.

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Click here for demo
Carrollton, Georgia - After 17 years in the premium finance industry, working through many consolidations and acquisitions, with encouragement from friends, family and agency partners, PFC icon Jorge Hernandez has formed a premium finance brokerage designed to bring real value to client agencies and MGAs: FinanceJorge.Com.

FinanceJorge will be focused on financing commercial insurance premiums across the country through an extensive network of partner independent agencies and MGA relationships. The company will also actively work to introduce their strong insurance premium lending partnerships to new markets and agencies across the country.

Those lending partnerships have many benefits to agents and MGAs including access to multiple insurance premium financing markets which can result in very competitive financing terms. Other benefits include the latest in web quoting technology, low and deferred down payments, as well as top agency commissions paid quickly via EFT.

“We are thrilled to finally be able to offer our agents and MGA partners a wide range of financing choices along with access to the latest in web quoting and servicing technology,” stressed President and CEO Hernandez. “FinanceJorge has assembled a quality team which brings together a vast amount of premium finance and insurance industry knowledge. Operations are led by a client relations director with almost a decade of experience working with high quality insurance clientele in an intense premium finance business environment.

Hernandez added, “Our staff’s combined knowledge, experience and relationships within the insurance industry means doing business with FinanceJorge will bring a real competitive edge to partner agencies and MGAs.”

Jorge Hernandez can be contacted at 678-386-8555 or at jorge@financejorge.com to learn more about becoming a partner agent with financejorge.com.