

How to Present Your Agency to a Company for Appointment

INTRODUCTION

An appointment used to be for life, but that's no longer true. There are many reasons today why an agent may need to find a new carrier: Catastrophe exposure may make your company pull out, for instance, or you may be expanding into a new market.

The new environment makes it as tough as it has ever been. There are no industry experts who foresee it getting easier. As you look for alternatives, the best place to start is to reflect on who you are, where you want to go, and what your future is. The need for additional carriers will emerge.

Having decided to approach a new company for appointment, you will find that the old way of achieving this – picking up the phone and asking for an appointment – is as much a thing of the past as the “appointment for life.” Now, companies want an agency blueprint. They want to see in writing who you are, what you plan to do, how you plan to do it, and what resources you have and will use to accomplish your goal.

This presentation guide is an effort to help you plan now for any future event. After assembling the information outlined in this guide, you will have more than an outstanding company presentation. By going through the process of gathering and analyzing the information, you will have a clear view of your agency's expertise, strengths, weaknesses, and goals. You, as well as the company, will find what you have gathered to be a valuable tool in achieving your goals.

Also, you will have a better idea of the kind of carrier you want to work with. Remember, the appointment process is two-way. It is as important for you, the agent, to find a compatible match as it is for the company.

In assembling the materials described in this guide, keep in mind the following: When you, as an employer, get an application from a job applicant that has typographical errors, misspellings, and other errors, you quickly eliminate the candidate from consideration. In today's competitive job market there are too many highly qualified candidates to bother giving a sloppy applicant much thought, let alone an interview.

Insurance companies feel the same way. Time and resources are scarce. They want to find qualified applicants as quickly and inexpensively as possible. That means the written presentation must be thorough but concise; detailed enough to be impressive, but not so thick that they won't bother to review it; and cover the points they are looking for without the need for phone calls to see what you meant or fill in details.

This paper briefly summarizes the elements your agency should include in your company presentation, keeping in mind that your finished product will be a reflection of attention and precision your agency will give to all of its efforts. That is certainly how the company will view it.

AGENCY PROFILE

Agency History

Just as a university uses a student's high school report cards to help predict that student's future academic achievements and to determine admittance, so does a company look to the history of an agent to predict its future success and to help determine appointment.

The company wants to know right away: How long has the agency been in business? What has it accomplished? What is its business volume? The company believes the agency's past is a strong indicator of future performance.

Agency Principals

The company knows that in the insurance business, the people representing the product are usually as important to the client as the product itself. It's the agent who inspires trust and confidence that he or she can be relied upon when something bad happens. First, though, the agents must excite the company.

The company wants to know:

- The educational level of the agency principals
- The number of outside sales people
- The number of support staff
- Years of professional experiences of principals and staff
- The professional memberships of the principals

This information amounts to a professional resume for the agency. It is the combination of skills, talents and experience that make your agency uniquely qualified to represent the company on the sale of its product.

Agency Plans

There are three basic plans a company wants to see: business, marketing and perpetuation. It does not necessarily want these plans to read and study. It just wants to make sure you have generated these plans. Companies recognize that in going through the process you must construct thoughts, ideas, and concepts about your business that you have analyzed the strengths and weaknesses, your territory, and where you want to go.

The three plans offer companies a written account of your thoughts, analysis, organization and implementation of agency goals.

BUSINESS PLAN

Professional agents who are highly skilled at meeting the needs of their clients may not feel confident about their ability to assemble a business plan. They need not to worry. In addition to the elements of a business plan that will be presented in this paper, other good planning tools are readily available, including books, seminars and computer software. PIA has worked with ACORD in the development of The Agency Business Planner, which includes 12 complete business plans in both hard copy and on computer diskette. The plan includes 40 worksheets and checklists meant to simplify and organize the planning process. This tool is available to PIA members at a reduced fee through ACORD. Many other planning tools are available; choose the one you feel can best serve your needs.

OVERVIEW OF THE BUSINESS PLAN

Mission Statement –The plan should begin with a broad overview of the agency in the form of a Mission Statement. The statement should be a concise description of why you are in business and where you want to take your agency. It is not a detailed diagram like a road map; it is more like a globe - a tool that gives you the big picture of what you are and where you're going.

STRATEGY – The plan should present each strategy the agency will use to achieve its goals with a demonstrated knowledge of the agency's strengths and weaknesses, and any assumptions about the agency and the economy that will come into play in implementing each strategy.

ACTION – The business plan begins with the broad perspective (Mission Statement), then narrows (Strategy), then narrows still further: Action. This is the point at which the agency details how it will achieve its goals. It will specify each action step necessary, its expected cost, and the resources within and outside the agency that will contribute to meeting the goals.

BUSINESS PLAN EXPECTATIONS

What you can expect from a solid business plan is the ability to measure your progress and respond to changing conditions. Your ultimate goal for any business plan, of course, is to become more successful - expanding your market, cutting expenses, making more money.

By completing a business plan you are prepared to take advantage of opportunities as they present themselves.

INTERNAL RESOURCES

Internal resources are the people, equipment, automated systems, products, and finances currently accessible systems, products, and finances, currently accessible to the agency. The internal resources section of your business plan should include the following:

- Agency Flow Chart
- Personnel Inventory
- Physical Facilities Inventory
- Automated System Inventory
- Company Representation Inventory

After detailing these items, the agency principals need to analyze their internal resources and describe their assumptions about the current future conditions of them.

External Factors

You need to offer your best professional judgement, forecast and estimate, of the conditions of the economy and trends of the industry during the period the plan will cover.

Business Strategies

Here is where you use all of the lists you have prepared and the analysis that you have already done to design specific strategies to reach your goals. This is when you say how you will reach your goal. Will you use market strategies, technology strategies, organization and management strategies, or financial strategies.

What action will be taken? By whom? By when? What is the expected outcome?

BUSINESS PLAN CHECKLIST

Agency Structure

A. Agency Staff

1. Number of Employees _____
2. Number of CSR's _____
3. Number of Producers _____
4. Education and Training Description (e.g. CIC, CPCU, CLU)

5. Risk Evaluation Guidelines/Procedures

6. Claims Payment Guideline/Procedure
 - A. Yes No \$ _____ Limit
 - B.

| | Commercial | Personal |
|-------------------------------|------------|----------|
| Total P&C Premium Volume | \$ _____ | \$ _____ |
| Total P&C Commissions | \$ _____ | \$ _____ |
| Total Life/Health Commissions | \$ _____ | \$ _____ |
 - C.

| | |
|----------------------|-----------------------------------|
| Managed Structure | <input type="checkbox"/> Attached |
| Workflow | <input type="checkbox"/> Attached |
| Organizational Chart | <input type="checkbox"/> Attached |

D. Specialty Lines of Business

E. Retention Rate _____

B. Carriers

- A. Production and loss information for the past three years with lead carriers: Attached
- B. Underwriting authority with carriers and how much: Attached
- C. Mix of Carriers (check those that apply) Percentages of Total Agent Volume
1. Standard Companies _____
2. Excess and Surplus Lines Affiliations _____
3. Life/Heath Companies _____
- D. Advisory Council Membership
- E. E&O Carrier: _____ Declaration page attached

FINANCIAL INFORMATION

- A. Prior Year-end Financial Statement Attached
- B. Current Year to-Date Balance Sheet Attached
- C. Income and Expense Statements Attached

AUTOMATION

- A. Hardware
Manufacturer _____
Age _____
- B. Agency Management System or Other Software
Name _____
Up-to-Date Version Yes No
- C. Comparative Rating
 Commercial Personal
- D. Download and Upload Capabilities Yes No
Download Company Partners _____
- E. Other:
 CD-Rom Desktop Publishing Pen Based

Competition

- A. Who are your local competitors (agencies)?

- B. What carriers do you compete against the most?

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MARKETING PLAN

A marketing plan includes and analysis of your agency's goals, methods of operation, and client base.

First:

1. Define the customer's needs, and match those needs with the products and services of the carriers you currently represent or plan to represent.
2. Determine practical methods to gain your client's interest in the products and services you offer.
To do this, focus on your profit motive to create an income and profit margin consistent with your agency's overall business goals.

BASIC MARKETING DECISIONS

1. Anticipated (planned)
2. Unanticipated (e.g. commission reductions)
3. Capitalization
4. New ideas for specific marketing opportunities.

The marketing plan process includes establishing objectives, formulating strategies, determining operating policies, creating procedures and monitoring the results.

Some important factors to consider in the planning process are the current market situation, your agency's capabilities, and all methods to solve potential problems to take advantage of opportunities.

Formulating and Implementing Marketing Plan

1. Where are you now, and what are your strengths and weaknesses regarding:
 - A. Agent/carrier performance
 - B. Product availability
 - C. Financial well-being
 - D. Environmental factors and developments
 - E. Customer characteristics and needs.
 - F. The competitive climate
2. Where do you want to be and what are your ambitions concerning:
 - A. Market penetration
 - B. Profitability
 - C. Agency stature
 - D. Sales levels

3. What are your options regarding:
 - A. Pricing
 - B. Promotion
 - C. Product development
 - D. Distribution.

DEVELOPING A STRATEGY

Possible strategies are to:

1. Increase revenue by expanding personal lines accounts.
2. Target commercial lines.
3. Emphasize total account selling to existing clients.
4. Establish a formal sales management program for personal lines, commercial lines, life/health/financial services.
5. Achieve growth:
 - A. In personal lines by a certain amount or percentage.
 - B. In commercial lines by a certain amount or percentage.
 - C. In life/health and financial services by a certain amount or percentage.
 - D. By establishing an automated marketing campaign for BOP policies.
 - E. By cross-selling auto and homeowners business.

SETTING OBJECTIVES

1. Agency
 - A. Personal
 - B. Commercial
 - C. Other
2. Producers and Personal by:
 - A. Volume
 - B. Line
 - C. Specialty
3. By company, for:
 - A. Personal
 - B. Commercial
 - C. Other

You will also need a formal program for monitoring the effectiveness of the agency market program.

Types of Transfer

1. Internal transfer
 - A. Family members
 - B. Existing Key persons (managers or producers)
2. External Transfer
 - A. Friendly, compatible competing agents or agency
 - B. Regional or public broker
 - C. Merging group or cluster "partners"
 - D. Contingent buy/sell third party
 - E. Non-insurance Entity (rare)

Whether the transfer strategies you choose are internal or external, your plan needs much thought, counseling, and detail.

General Guidelines

1. Enlist the counsel of your tax accountant and attorney. You and your advisors must understand the current tax laws as they relate to your specific situation and how they would affect both you and the anticipated new owners.
2. Hire Professional consultants who are familiar with agency transfers, sales and mergers.
3. Obtain a professional assessment of your firm's value.
4. Before you embark on the transfer strategy, get your agency's financial and operational house in order in regard to:
 - A. Ownership of the books of business
 - B. Accounts receivable
 - C. Automation and financial systems
 - D. Staffing

Assumptions to Consider

1. The distribution system is changing and reshaping.
 2. The industry is moving to larger agencies.
 3. Though industry trends and conditions are less predictable, agency size and volume are the keys to continued viability.
 4. Planning for the transfer of ownership should begin with a number of years before the principal wants to retire.
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5. Acquisition by or merger with another established agency is becoming more beneficial as a mode of perpetuation.
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6. Because companies are interested in preserving profitable books of business, they will assist with perpetuation plans.
7. Changing tax laws may affect future acquisitions.

PERPETUATION PLAN

Companies always look for an agency perpetuation plan so they can ensure the continuity of the agency as a viable, independent entity in the event of a change of ownership for any reason.

Transferring the ownership of an agency, whether internal or external, involves planning and preparation. Carefully evaluate the various methods for completing transfer, and seek assistance where necessary.

Types of Ownership Transfer

1. **Outside Sale** – An external sale involves the transfer of at least 50 of the ownership to a party outside the firm. Outside sales can be done with the owner selling “in” (where the owner retires from employment immediately or shortly after the transaction).
 2. **Buy-Sell Agreement** – with a producer or producers can be structured with the purchase price to be paid in cash or in the future commissions from the agency.
 3. **Transfer of ownership to family or family members.**
 4. **Employee Stock Option Purchase (ESOP)** – is a first cousin to a qualified pension plan which allows the agency to contribute cash and/or stock to plan on an expanded basis. Qualified employees each have a build-up of value according to their compensation levels, and the plan can retire the owner(s)’ stock with strong tax advantages. The agency, in effect, is buying out the owner(s) with pre-tax dollars.
 5. **Merger** – allows an owner to contribute the firm’s stock or assets to be reorganized combined entity, which will issue new stock to him in place of the contributed assets. With a tight mandatory repurchase agreement and valuation mechanism, this action can allow an owner to step out of the role of sole manager, assume a role as sales or service person, and later trade in his stock for a repurchase price, possible including a deferred compensation arrangement.
 6. **Cluster or Contingent Buy/Sell Affliction** – with a proper mandatory repurchase agreement and value mechanism, can allow an owner to set up a future automatic transaction to sell his book of business. The arrangement can be focused on an event triggering an emergency situation, or on a planned retirement.
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Review in your own mind what you want or need to achieve by a transfer, how you would like to transfer your business and to whom.

Necessity for a New Carrier

In preparing your presentation, you will need to be specific and positive about why you are seeking a new company appointment: to replace a company that has withdrawn to support a target/niche program, to expand into new products.

Describe what you are going to do for the company how the company will benefit from appointing you. Outline the commitment you can make: Are you willing to move a new book of business to the carrier; will you give them all new business?

Your promises to the carrier should be realistic, measurable, and attainable. The commitment should be understood by both parties and agreed upon in writing.

Summary

Now that we have guided you through preparing a presentation for a company appointment, assemble the information and keep it on hand. Use it as your guide for analyzing agency needs and accomplishing your goals.

Use it also to tell companies who are and why they should entertain an appointment. It will be a valuable tool in your agency's success.

