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Trial by Fire

Growing organically is an extreme challenge in the current climate. The premium rate environment, regulatory uncertainty, healthcare reform and the limping economy present many cascading obstacles for insurance agencies. Peak performers, however, refuse to accept the external environment as an excuse for success or failure. Those leading organic growth have accepted one critical truth: success is defined by "achieving results regardless of the cycle." And the mantra chanted around the campfire by this esteemed group of high performing brethren is "predictable, profitable, organic growth." These organic growth leaders have executed a plan to drive results in and out of cycle. And they are doing so by voluntarily putting themselves on "Trial by Fire" with prospects and existing clients.

Trial by Fire

The expression, "Trial by Fire" alludes to a medieval practice of determining innocence or guilt by having the accused undergo a lethal ordeal, such as walking barefoot over red hot ashes. Those who make it through the hot embers are declared innocent while those that incinerate in the heat are guilty as charged. In the insurance brokerage business, customer promises are a dime a dozen and represent the blazing path ahead. Your trial by fire is delivering on promises.

Most agencies have spent truckloads of money building what is believed to be a differentiated, service intensive, value-added platform, which includes a litany of insured promises. Ironically, few have spent a dollar building a process to ensure that promises made are promises kept. The landscape is littered with guilty agencies on the verge of incineration, given lack of a process driven method to deliver on promises made to prospects and insureds. Would your producers survive a walk over the hot ashes?

Differentiation

In today's environment, your ability to deliver sets you apart far more than your ability to promise. If you believe the market will perceive you as different because of a best in breed value-added service platform, think again. Across America, thousands of agencies are handing out color glossy brochures extolling what they believe are differentiated virtues. Insureds see a revolving door of producers claiming that their proprietary process and infrastructure yields a superior ability to reduce the long-term frequency and severity of claims to lower both long-term premium and ancillary costs associated with absenteeism, employee morale and employee turnover. These are wonderful virtues, but are no longer unique in the eyes of the insured. Today's organic growth leaders have these virtues AND a process driven method to deliver on promises supported by a structured service timeline, stewardship report and compliance audit management system that holds the staff of the agency accountable to the insured.

Peak performers welcome the fiery test by tribunal because they have nothing to hide. They deliver, and as a result, welcome the walk through fire. And the agency's actions speak so loud that insureds can hardly hear their words. That, my friends, is differentiation.

Delivering on Promises

Best of breed agencies have executed a plan to deliver on promises. The plan catalogues customer promises in a service timeline, manages insured feedback through stewardship reporting and drives accountability through compliance audit management. A service timeline is a contract with the insured that outlines the results of a detailed risk assessment, the strategic objectives of the risk mitigation program, services that will be provided, critical activities, deliverable deadlines, individuals responsible for fulfillment, mutual accountability and important measurement milestones. A stewardship report is a periodic report card that provides an update on the progress toward achieving commitments captured within the service timeline. Compliance audit management is an activity tracking, reporting and accountability process that governs the service program to ensure that promises made are promises kept. Peak performers have embraced the reality that predictable results (mitigation of risk, client satisfaction and retention) will only stem from properly managing the process.

Commitment

To drive cultural change, commitment must come from the top. The CEOs of tomorrow are today, standing on their desks, explaining how the new formalized service timeline, stewardship and compliance audit management process is the very process by which the agency will maximize retention and drive new business in the coming decade. Leadership within peak performers are proclaiming that a new day has dawned where the organization will drive retention by executing a plan to provide predictable, auditable, superior service. Retention will be further enhanced by incorporating an 18-20 month deliverable schedule within service timelines that cross over the renewal cycle, thereby dismantling the incentive for an insured to look at other alternatives. New business will result from the service staff assuming more responsibility, being held accountable for delivering on promises and in turn making producers more comfortable with delegation to free time for new business production. The agency will not only communicate "what" solutions will be provided to prospects, but also "how" promises will be fulfilled and audited.

Be prepared for a battle when it comes to producer acceptance of the new order. Inevitably, implementation will be plagued by a web of excuses created by legacy producers attempting to coax management to give up the mantra. Some producers will repeat again and again a convenient pitch that "my clients will not be willing to participate in such a program" while other producers will exclaim that "such a program is not necessary in my book" given decades of rationalization that relationships are unusually sticky. Peak performers destroy complacency, eliminate excuses and embrace change. We do not have enough fingers and toes to count how many times clients have called to mourn the loss of a key account to a competing broker that had an identical service approach but a far better way to communicate progress and accountability.

Given that convincing producers to embrace such a service commitment often tends to be futile, peak performers are rapidly traveling down the road of implementing a hammer to enforce adaptation. The hammer is simple - Producers who do not comply with five non-optional behaviors do not get paid on the account or the commission paid to the producer on the account is at a lower rate. Non-optional behaviors include:

1. *All accounts above a certain threshold must be on a service timeline*
2. *Accounts must receive an annual stewardship presentation*
3. *The annual stewardship presentation must include a report card that holds the agency and the insured accountable*
4. *The stewardship report card must be signed by the insured*
5. *A service plan for the coming year must be developed collaboratively by the producer and insured*

Peak performing agencies are done listening to million dollar producers telling them "this account won't move and we don't need a timeline" only to learn that a $150K commission account moved after a 20 year relationship because a broker from out of town presented a service timeline or identified promises that were made, but not delivered upon, by you the incumbent. Peak performers are also done sitting through lost account post-mortem meetings only to learn that service timeline agreements were executed but the insured never received a stewardship review. Peak performers are not allowing behaviors critical to account retention and new account acquisition to be left to chance.

Implementation

Once an institutional commitment is made to embrace client communication and accountability, the agency must define an implementation process. The first step is buying or building the technology necessary to administer such initiatives, training agency personnel, overseeing the process, and holding staff accountable. Agencies that fail to implement technology are often stuck grappling with hundreds of spreadsheets full of client commitment deadlines, staff member finger pointing, inconsistent execution and dissatisfied clients.

A cultural change must occur that visibly shifts the responsibility of delivering on client promises from the producer to an account executive. Producers remain as the primary relationship manager, are active in critical client meetings and keep abreast of issues, but rely on account executives to proactively manage all day-to-day activity.

Many agencies call their "originators" account executives, which is at the core of the problem. The vernacular in peak performing agencies defines an account executive as a high level person who is proactive, external, relationship driven and solid technically, but is not a hunter or a closer. Account executives generally have new business goals, but the goals are generally 25% - 50% of the "minimum new business goal" required of producers. The industry is plagued by account executives masquerading as and being paid like producers. Paying account executives like producers restricts growth and virtually eliminates an agency's ability to maintain margin while reinvesting in the next generation.

Most non-producing producers, however, do not make good AE's. Most of the "so called producers" in the industry have made a career out of being a shepherd over a flock of renewals and do not have the discipline, attention to detail or desire to provide best practices account executive stewardship at a market rate. Even if your current non-producing producers agree to morph into an account executive role, it is often impossible to ratchet down their pay to the best practices wage rate equivalent to 10% - 15% of the book handled. In some cases, a non-producing producer can in fact become a capable AE. To achieve this shift, many agencies make the tough and often overdue decision to terminate non-producing producers who are not capable of becoming AEs. The books of the terminated are transferred to the newly appointed AE wherein the wage rate can be reduced to 10% - 15% and prior year W2 can be preserved, although with twice the workload.

While some may be capable, in most cases non-producing producers without the desire or ability to become AE's need to be systematically shed and replaced by account executives who are either hired or are currently employed as a high-level CSR. In high performing agencies, the AE layer enables management to give producers three options: 1) maintain strong new business production by shifting the "quarterback responsibilities" on their book to an AE; 2) move to an account executive function and commit to a higher workload but limited new business responsibility; or 3) find other employment. The days of having "servicing producers" are long gone in those agencies that will perpetuate, which is almost exclusively defined as those agencies driving predictable profitable organic growth. For the process to work effectively, implementation must include a reporting and governance process for:

1. *Systematic executive level compliance audit reporting and executive level oversight*
2. *Defined training and education programs for internal employees*
3. *AE responsibility over day-to-day account management versus the producer*
4. *AE responsibility over capturing, assisting, designing and managing the service platform*
5. *AE responsibility over commitment dates, assignments, contact information and service timeline*
6. *AE responsibility over stewardship, report card, client signature and plan for the coming year*
7. *AE and producer collaboration where the producer is intimately involved in all aspects of relationship management*

To be different, an agency must do both; promise and deliver. Risk managers consistently and regularly complain that it is often their job to hold producers accountable to service promises versus the other way around. Trial by fire, or accountability to the insured, is only realistic if implementation involves a compliance audit management system. Only then will producers and service personnel be equipped to proactively resolve delinquent service commitments and embrace accountability to the insured, which will remove any doubt as to the value the agency brings to the table.

Compliance Audit Management

Compliance audit management is the cornerstone of implementing a predictable client management system. In its simplest form, it is a process to run ad hoc exception reports that outline upcoming service commitments and delinquent service commitments. Executive leadership in peak performing agencies run and review compliance audit reports on a weekly basis, manage a process to resolve delinquencies and proactively prepare for coming deadlines. Compliance audit reports are critical to enabling an agency to resolve late items before an account is lost.

A well oiled compliance audit management system enables an agency to manage to compliance audit scores by employee, account, niche segment, branch and book of business. If on a year-to-date basis, 7 of the 10 items promised to an account were delivered on time, that account would have a compliance audit score of 70%. Compliance audit scores should be run by account, niche, office, line of business and by employee to proactively identify retention risk. Employees should be stack-ranked by their compliance audit score, posted, trended over time and held accountable through performance reviews and by performance weighting bonus incentives. Peak performing agencies use compliance audit functionality to manage future activity by systematically running a list of upcoming commitments and due dates for an account, employee or department. By reviewing exception reports and future commitments, agencies can be much more proactive in service delivery. To facilitate compliance, peak performing agencies:

1. *Train the entire staff on the importance of value-added service timelines, consistency and use*
2. *Set up all value-added service timelines on a common technological platform*
3. *Implement compliance audit reporting processes to establish activity reminders, monitor completion, expose/discuss upcoming promises yet to be completed and flag exceptions or delinquencies*
4. *Publish compliance audit performance rankings by staff member, client and niche*
5. *Incorporate compliance audit scores in the performance review process and a weighting to bonus incentives*
6. *Integrate compliance audit scores into stewardship presentations, report cards and insured discussions*

Agencies are often concerned that presenting compliance scores to an account may jeopardize retention. As a result, many agencies structure service timelines with clients, but do not share results through stewardship because promises made have not been kept. The industry has become very skilled in building a process to make promises but has failed to build a process to ensure delivery so that stewardship is an opportunity, not a risk. No agency is perfect. Embracing imperfection coupled with the implementation of a process of continuous improvement is a differentiator in and of itself. Peak performers find that such a process enhances retention even if it causes the agency to acknowledge imperfection because it provides an opportunity to highlight to the insured areas that must be improved, a renewed commitment to focus on service excellence and an organized process to manage communication and risk mitigation.

Time and time again, agencies that have implemented compliance auditing claim that insureds express a desire to implement a comparable process in their own business to manage their service relationships. There can be no better testimonial than to have an insured express a desire to run their business like the agency or broker.

The Future

Performing a risk assessment and custom designing a risk mitigation service program captured in a signed service timeline was once a revolutionary concept. It is now the price of admission. It was not long ago that agencies located in second and third tier cities claimed that such a platform was not necessary because such sophistication had yet to reach their burgh or borough. That is the past. Today, risk mitigation solution selling is present in every metropolitan size area. Yet in today's world, only 41% of stewardship reports are shared with the insured on renewal. Countless agencies are making commitments and tracking results. But, 59% of the agencies making commitments cannot hold themselves to trial by fire through stewardship reporting because too many promises made have slipped through the cracks.

Only a handful of the 41% that deliver stewardship reports have a centralized administration platform that includes compliance audit management. But, the tide is turning. Compliance audit management is the future and adaption is growing at an exponential rate as more leading agencies and brokers become committed to executing a process driven plan to deliver on promises. Without a compliance audit management process, stewardship means scampering around prior to renewal trying to pull together activities on the back end only to identify failed promises that could have been addressed, but were identified too late. The importance of a value-added service timeline and stewardship reporting system is clear as it:

1. *Yields transparency and disclosure*
2. *Offers compensation justification*
3. *Becomes a proactive retention strategy*
4. *Becomes a cornerstone in new business differentiation*
5. *Identifies cross-selling opportunities*
6. *Establishes meaningful and consistent communication*
7. *Enables humility and voluntary Trial by Fire*

Peak performers have made a commitment to drive predictable, profitable, organic growth in any market cycle. The peak performers are going back to the basics. To coin a quote by the late Ronald Reagan, "They say the world has become too complex for simple answers. They are wrong." The leaders of tomorrow will have a simple mission, to eliminate mediocrity and deliver on promises. And those leaders will voluntarily go to trial by fire with their insureds and hold themselves accountable to promises made. The leading firms of the future will embrace compliance auditing as an early warning tool when promises are delinquent, long before the train goes off the tracks. Insureds expect service, but demand results. Become the insurance agency that leaves no promise to chance. Build the system, hold yourself to trial by fire and control your destiny.

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