

## ***Personal Lines Growth Alliance:*** **Helping Independent Agents Gain Market Share**

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In the current difficult economy, the commercial insurance market will continue to shrink for the next year or so. Independent insurance agents and brokers will get squeezed at every turn, as the basis of premium the customer pays the insurer is shrinking:

- Commercial premiums, and thus commission revenues, won't harden any time soon.
- Workers compensation audits will result in lower receipts and payroll, and in turn lower premiums or even returned premium.
- With inventories reduced, lower replacement-cost property premiums will be charged.
- Business auto policies, based on size and type of fleets that employers have been running, will be cut back.
- Many of those agencies that rely heavily on commercial commission revenue are already seeing business clients actually closing their doors, a trend that experts tell us will grow until an effective economic reset can be accomplished.

In the near term, the potential for growth for the Independent Agency System stream lies with personal lines, where the sector has only about a 30-35% market share.

However, only with renewed energy and motivation will independent agents and brokers ramp up activity in the \$230 billion personal lines premium market to compete with direct and captive agent writers.

### ***Limitations of Current Marketing***

How do independent agents compete with large direct writers and their expensive, mass-media exposure? Most agencies don't have the resources to compete on a large scale, and even locally they can be drowned out by billboards and TV commercials promoting the major brands.

So most agents write all the personal lines business they can, typically one policy at a time. Nearly every agency has a personal lines department, already staffed with good, competent people. The agency typically does a little advertising, usually spending money in the Yellow Pages, perhaps buying local newspaper ads, sponsoring Little League teams and other good neighbor activities. Some try direct mail, and some agencies move up to local radio and television. With all of that activity, along with some good referrals from current agency customers, personal lines prospects occasionally come through the agency's front door and ask for an auto or homeowners policy quote. Given an opportunity, an agency's personal lines staff

will turn a prospect into a client, because, having several personal lines companies, they can find a solid match for the vast majority of prospects that come into the agency.

There lies the rub: For most independent agents, no matter what promotion they try, the problem is simply that the agency cannot lure enough personal lines prospects into their shops. They just cannot come up with a plan that works for them. Many agencies spend thousands of dollars on the old, traditional advertising methods, and none of these seem to give a measurably decent prospect response result. Agents become frustrated with personal lines business development efforts, because they see no positive results.

In short, agents need a personal lines marketing strategy that works for the Independent Agency System.

### ***Agents Need Proactive Strategies Beyond Raw Advertising***

It's fair to say that independent agents and brokers, taken as a whole, have no common personal lines strategy. By the very nature of the way they do business, competing with each other as well as with the captive and direct sector, it's unlikely that they can ever build one model pathway that can be effective or acceptable to all.

No matter how it's accomplished, nearly every personal lines marketing strategy will involve a hunt for existing policy expiration dates. Just as in the commercial lines market, there is no better time to contact a personal insurance prospect than a month or even six weeks) prior to a policy anniversary. It's much easier to capture a prospect before a renewal policy bill has been paid than after the fact. Capturing an expiration date is nearly a guarantee that your agency will have an opportunity to convert a prospect into a new agency account. Following that logic, nothing is better for agency personal lines growth than the development of a large inventory of expiration dates provided by prospects in anticipation of an insurance proposal from an agency that actually has asked for their business! The challenge is the development of that inventory. Without expiration date timing, not much is going to happen.

Most independent agents, when it comes to personal lines, either have no marketing strategy at all, or the marketing strategies that they do employ, are passive in nature. The classic newspaper, Yellow Pages, radio and even television ads run by agents tout the talents and service orientation of the agency, but rarely do they contain a direct "ask" for business. In the area of commercial lines, these passive, institutional, "Why we are a good agency" promotional efforts are supplemented by a cadre of aggressive, door knocking commercial producers. That just doesn't very often happen with personal lines. For example, there is almost never any personal lines "ask" that says: "We have great, competitive home and auto insurance products, and we WANT YOUR BUSINESS! If you think you're paying too much for your home or auto insurance, call our agency and ask for one of our personal insurance specialists. He or she will match one of our several competitive insurance companies with your particular insurance needs and may well do so at a lower price than you're currently paying!"

***An Example: One Effective Strategy***

One effective independent agents' pathway of return to a dominant position in personal lines already exists in nearly every agency. That pathway has as its foundation the strong domination of the U.S. commercial insurance market, within which the Independent Agency System controls 80% of annual premiums written. The ability to collect individual personal lines product premiums and commissions for dozens, hundreds or thousands of employees within a given employer population greatly enhances efficiency for agencies and carriers.

Ironically, this strategy is already being employed on a major scale by several direct writers, who dominate this aspect of the voluntary benefits market. If it can work for direct and captive writers, the same strategy certainly be even more successfully utilized by Independent Agents, who are armed with the additional ability to select one of several represented insurance companies that can best be applied to meet each prospect's needs.

***Other Marketing Strategies***

Employee marketing is just one of many strategic personal lines marketing plans. Many could be cataloged and offered to the entire Independent Agency Universe. Agents need to know that there can be major success in personal lines, and that many paths can be available to them.

***Technology: A Major Key***

Automation is going to be a key underpinning of success. A combination of internal data management and external cyber-marketing are a must for a strategic program of cross-selling and market development. Software makes management of accounts on the employer end smooth, with minimal effort expended to provide the personal lines benefits and the payroll deductions. For the agent, thousands of dollars in premium and commissions from dozens, hundreds or more clients can all be handled automatically by computer by a payroll manager, increasing efficiency on the agency end. Using Web-based technology, these same clients can access their accounts as well as carrier and agency contacts. Information and marketing links can be provided to employer-based clients as a beginning and as a follow-up to initial sales efforts.

Major technologic progress that has already been accomplished has been a huge factor in allowing the independent agency system to achieve efficiencies that have effectively overcome price advantages that were previously held by direct writing and captive agency companies.

This overall "employee marketing" strategy differs from the mass marketing efforts commonly applied by large, direct writers at worksites. While payroll deductions are a convenient aspect of both strategies, employee marketing offers the worker more choices of carriers and a trusted advisor for their personal needs. It succeeds where traditional methods fail, thereby putting agency marketing dollars to much better use and potentially carving out budgetary savings.

## **Alliance Can Galvanize the Troops**

An alliance (called “Personal Lines Growth Alliance”) should be formed to provide cohesive direction to this strategy to take back market share. The Alliance would be comprised of interested agents, carriers, software providers (e.g. agency management systems and administrative support systems), technology user groups, and industry associations.

The moment is here: Independent agents may continue to maintain commercial lines market share dominance, but the market is in for some substantial shrinkage, and this could last for several years. Shrinking receipts, payrolls and business assets are all going to negatively affect commercial premiums and commissions, at least until this worldwide economic mess manages to correct itself.

### **Alliance Goals**

Here is what the Alliance would aim to do:

1. Convince independent agents of the value and stability of personal lines insurance products in today’s insurance market, and how they contrast with the commercial lines activities on which most of them rely for their agency’s main revenue stream. Demonstrate the retention qualities of a properly maintained and serviced book of personal lines business, along with its potential of enhancing their agency’s asset value.
2. Make independent agents aware of their strong competitive position, with a plurality of company representation, versus “the old days,” when direct writers and captive agency companies dominated insurance price issues.
3. Provide independent agents with knowledge of the available choice of personal lines sales and marketing strategies, strategies to enhance customer relations: How, with the currently available workflow efficiencies, agencies can provide prospects and clients with “the human contact factor,” one important element that is missing from the marketing and service strategies of many of the direct and captive agency writers.
4. Educate independent agents concerning the current efficiencies of today’s personal lines processing and workflows.
5. Make independent agents aware of all of the various strategies available to them as their particular agencies primary path of personal lines growth.
6. Resurrect the entire insurance industry’s interest in personal lines as a major source of financial growth and stability. Particularly, but constructively, challenge the current perception of many independent agency owners and senior managers.
7. Remind agency leadership that, 30 or more years ago, they began demanding more efficiency within the personal lines universe, stating that inefficiency was the source of the high expense ratios that prevented independent agencies from successfully

competing with direct and captive writers. The playing field has now been leveled, and it's time for our side of the industry to capitalize on our opportunity.

8. Welcome all players as members of the alliance—companies, trade associations, software vendors, agents—any entity with interest in expanding the independent agents' position in personal lines and recovering a strong position for our system in that important segment of the insurance industry.

***Timing is Perfect***

The potential for growth for agents and their companies lies in personal lines—where the market is huge (\$230 billion in premium) but the independent agent sector only enjoys approximately 35% market share. That won't grow without drastic changes.

The moment has never been more right for a coordinated movement. An effective alliance effort in terms of capturing personal lines will benefit agents, insurance companies, vendors and trade associations; in short the entire community that supports the concept of choice and the independent insurance agency system.

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