

Changing Agency Services to Automated Processes – A Key to Untapped Income

This white paper will provide a method for projecting revenue benefits of delivering client services in what the IIABA, in their Best Practices To Agency Business Processes and Workflows, calls the “Consumer Focused Agency”.

Articles on insurance agency best practice, IIABA publications and common sense all recognize that the best way to stay current with client risk service needs is through proactive client risk services. Quite often, though, proactive services remain a theory never put into practice. For instance, few agencies will argue with the value of annual reviews but virtually none provide them for any but their largest, most important clients. The reason is the cost of doing the reviews and that is often overlooked in best practice recommendations.

Existing staff often don't have the time to provide proactive services. Yet, providing high quality, uniform service to all clients not only increases client retention it also leads to increased levels of account sales and increased growth through referrals. Staff time can be freed up by streamlining work flows, making use of document imaging and cutting down on excess entry for transactions. But even these efforts will not free up enough time to deliver anything but reactive client service for most agency customers.

For many agencies the alternatives are these: Forego providing many services to the bulk of their clients or incur the expense and risk of adding staff. If new staff are properly trained and job design and agency management allow them to perform the right services they will eventually pay for themselves through increased revenue.

The pay back period will vary by agency situation but the risks are many. New hires may prove to be poor performers or may leave prior to achieving pay back. Unforeseen business events may cause agency management to temporarily redirect the new hire's activities; often the employee is never redeployed back to the original purpose of their hire. And, finally, the cost to train can be quite high as training can take the agency's most productive worker off line.

There is a third alternative and that is to turn your services into processes and then automate those services. The IIABA/ACT white paper, The Need For Effective Agent-Company Interfaces, discusses four levels of agency performance evolution. The most highly evolved level, 'The Consumer Focused Level', is characterized by services that have been codified into processes. What are the financial benefits of automating those processes? The best way to way to answer that and quantify the financial advantages is through a hypothetical case study of a typical independent insurance agency.

Case Study: ABC Agency Project to Provide Annual Reviews For All Clients

ABC Agency			
	Total	Personal Lines	Commercial Lines
Employees	10	6	4
Revenue	\$1,200,000	600000	600000
Productivity	\$120,000/person	\$100,000/person	\$150,000/person
Accounts	4000	3000	1000

A typical agency like this has achieved reasonably good levels productivity but at the expense of any capacity for basic client services. It takes about an hour to perform an annual account review, including account analysis, document preparation, client contact and actually conducting the review. Because of that, the ABC Agency conducts reviews for only their largest, most influential or complex accounts.

Reviews Currently Performed By ABC Insurance Agency

10% of PL Clients = 300 reviews per year
 20% of CL Clients = 200 reviews per year
 Total Hours Devoted To Reviews = 500 hours per year
 500 hours per year = .28 FTE*

*FTE = Full Time Equivalent Employee at 1,760 hours per year

2,500 personal lines and 800 commercial lines clients never receive annual risk reviews. Experience with reviews that are conducted and various industry publications have permitted ABC Insurance Agency to estimate revenue benefits of performing reviews. These estimates are based on additional coverage and policies sold in the course of annual reviews although improved client retention is another clear benefit.

Revenue Estimates of Annual Review Process

Additional Policy Sales Rate = 15% (i.e., 1.5 policies per 10 reviews)
Revenue Per Additional PL Policy = \$127.50
Revenue per Additional CL Policy = \$250.00*
Endorsed Coverage Sales Rate = 15% (i.e., 1.5 endorsements per 10 reviews)
Revenue Per Additional PL Endorsement = \$30
Revenue Per Additional CL Endorsement = \$50

Additional Revenue Created By Performing 2,500 PL Reviews = \$59,062.50

Additional Revenue Created By Performing 800 CL Reviews = \$36,000

Total Additional Revenue Created \$95,062.50**

*CL Revenue is skewed lower because largest 20% of accounts already get annual reviews

**One year revenue. Actual revenue stream would persist over 5-7 years so final revenue generated would be approximately \$570,000

The estimates above show that annual reviews alone will generate 8% revenue growth for the ABC Insurance Agency. The actual growth rate is higher since calculations were not done for the increase in policy and account retention that annual reviews deliver. Calculations also were not performed for revenue from new clients generated through increased referrals; annual reviews provide a compelling reason for existing clients to make referrals. Just the same, for most agencies, sales success equivalent to 8% of total agency revenues is greater than any other single marketing program they may have in place.

The ABC Insurance Agency is able to estimate that 3,300 total reviews, at one hour per review, will require nearly 2 full time staff. At a conservative \$35,000/year for salary and benefits the cost of doing the reviews would be \$70,000/year. As a result the net to the bottom line of doing reviews is not \$95,062.50 but a much more modest \$25,062.50. For that reason the additional costs of new staff training and the risks noted earlier, ABC Insurance has never endeavored to provide annual reviews for all clients.

Instead, The ABC Insurance Agency chose a two step solution to the annual review that did not require added staff:

1. Develop an annual review process
2. Automate that process to the highest degree possible

An Automated Annual Review Process

The ABC Agency developed a standard review check list and questionnaire for use in all reviews. They decided the best time to perform reviews was 120 days in advance of the earliest account policy renewal date (that is, if there were two or more policies on an account, the policy renewing at the earliest date would dictate the review schedule).

ABC Insurance used the internet as the primary communication vehicle for performing the reviews. Clients were advised of the review offer at the scheduled time and were directed to a secure web site. The web site contained the template and basic client information.

Upon finishing the review clients were presented with automatic recommendations generated by their review input; clients could also customize these recommendations. If additional policies or coverages were indicated, the client, by clicking a link, launched a secure quote form.

ABC also provided an opt out to a live review for clients at any point in the automated process. Before going to full production a test was run to determine what percent of clients would opt out for live reviews; ABC needed to know if they had adequate staff time to do reviews for the small percentage of clients who would choose live review.

ABC also realized early on in the project that they did not have current email addresses for many of their clients. They used the ones they had at the outset of the process implementation and launched a parallel project to acquire email addresses they were missing.

At project's end ABC was able to generate nearly \$100,000 in extra annual revenue. They were able to do this without adding to existing staff. A further benefit of the new review process was a clear and compelling unique sales proposition. This USP was the foundation for a new referral program which was a key factor in the agency realizing a record number of new clients.

The preceding case study illustrates one of service of several which could be turned into an automated process. While some increases in revenues are difficult to estimate in advance those estimates that can be made make a convincing case for the business benefit. Clearly, the key to harnessing agency growth potential lies in identifying key client services, devising processes that support those services and finding ways to deliver those services in a way that takes advantage of today's technology.