

## Panel Says Alliances Are About More Than Increased Commissions and Profit Sharing

PORTSMOUTH, N.H. — Independent agents, insurance carriers and alliances face a myriad of challenges today, the biggest among them may be evolving to meet the needs of current and future clients. Members of three alliances recently discussed the challenges facing the industry at the 119<sup>th</sup> annual convention of the New Hampshire Association of Insurance Agents.

When asked by moderator April Weismann of HPM Insurance to name the biggest challenges independent agents face today, the panelists focused their answers on staffing challenges. For Matt Masiello, president/CEO of the SAN Group and executive vice president and COO of the Strategic Insurance Agency Alliance, agencies need to pay attention to what staff will be doing in the future, particularly given that some consumers are looking for more self-service capabilities. Most agencies are staffed for service, so what are they going to do?

“We need to make sure that we’re moving our staff toward being focused on business development, cross selling, business selection and being able to fulfill service needs when the insured needs an advocate on the claims side or self-service,” said Masiello.

In addition, Masiello believes agents need to embrace Insurtech. “As agents we need to acknowledge that if done right, technology will make our lives easier and make consumer interaction better. We need to be prepared for that. Most agencies only use about 20% of their management system, and we’ve got to get much, much more technologically savvy about that.”

Ryan Towle, who is vice president at Davis & Towle Group and represents the Northern United Agents Alliance, said the biggest challenge is finding good people. He is concerned about the gray wave of retirement. “At our own agency, I see talented producers and account managers with great relationships. If you don’t have a plan, you’re going to have a problem, and you’ll be scrambling to find people.”

Weismann asked panelists what are the biggest challenges faced by carriers and if they differ on the national and regional levels.

Jeff Foy, COO/agency principal, Foy Insurance, who represented Insurance Services of New England, made the point that every carrier has to accomplish profitable growth. The difference

between national and regional carriers is the partnerships they have with their agencies. The carriers that can maximize those relationships will more than likely also get that profitable growth. Generally, Foy thinks regional carriers are closer to their agents than national carriers; however, he said some national carriers employ a more regional strategy that helps them.

Towle pointed to how many good insurance companies are in the region and the state and noted even more that want to be here. They are all looking to build market share, forge strong relationships and find the best agents. “If you’re a smaller regional, you have a lot of great relationships that are local. Larger carriers may have great products and systems. It’s a constant battle.”

Carriers have to make sure they are aligned with the right agencies for the long-term, according to Masiello, who noted that product is changing. Where and how people live and drive and what they own is evolving, and carriers need to be investing in new products that consumers want. Masiello noted that larger carriers have a significant jump on tech trends.

Towle acknowledged that both national and regional models have advantages as well as challenges, but there is a place for both. “It comes down to how well they are managed and capitalized. How strong are their relationships? You can get big and stale like General Electric or be big and get better. Likewise, you can be small, nimble, responsive and innovative and deliver to your users.”

## Negotiating With Carriers

Alliances have significant experience negotiating with carriers, noted Weismann. She asked what advice panelists would give to agents on how to negotiate with companies. Foy advised agency principals to know their book and where their revenue comes from and the contracts that they have signed. He suggested that agency principals spend some time being a business person not just as an agent writing business — “do the math, know what the contracts say and how the grids work and all the things that go along with the compensation. At the end of the day, the only thing that matters as an agency principal is your revenue and driving profit from there,” said Foy.

The negotiation needs to be of value to each party, explained Towle. The key is that once there is an agreement, agents need to do what they said they were going to do. “You’re going to commit business and a certain amount. Understand what it is that you’re committing to and then deliver it. You’ll be far more successful in future negotiations if you’ve delivered on your end in past negotiations.”

## Benefits of an Alliance

There can be many benefits to joining an alliance, aside from increased commission and profit sharing. Every independent agency has different goals from access to carriers to perpetuation to technology or operational assistance, noted Masiello. The agent has to identify goals for the next three to five or 10 to 15 years, and then find an alliance that fits.

In addition to working with carriers and



*Matt Masiello of the SAN Group, April Weismann of HPM Insurance, Ryan Towle of Davis & Towle Group and Jeff Foy of Foy Insurance.*

developing plans, Towle said his alliance delivers what he thinks of as a friendship and a comraderie, which is bolstered by working with agents that members like and get along with.

Foy agreed that it is helpful to know there are people out there who will help you and respond to your questions. He thinks the biggest benefit is access to markets. “Sometimes that’s a direct appointment with a carrier you currently don’t represent or a central placement office where you can get that one piece of business written with that one carrier you don’t represent.”

## Challenges Ahead

The greatest challenges the panelists foresee with the current aggregation model in the next five years centered on growth.

“To be a good alliance, you have to deliver consistent profitable growth. You accomplish that by having the right agencies in the group,” said Foy.

Masiello sees two potential challenges ahead for the alliance model: Entering a space with a low barrier to entry and viewing the aggregation of premiums as the largest benefit. Companies want organic growth. The second issue is that nationally many alliances

were started with a handful of large agencies that have since sold. “What happens when you lose your anchor agencies? If alliances lose the ability to make up the premium volume that provided that critical mass for the anchor agencies, they have to figure out how they are going to get back to where they were.”

Are alliances concerned about peer-to-peer insurance models, like Lemonade? For Masiello, Insurtech is not the bogeyman. “We shouldn’t be afraid. We need to embrace it. I think you’ll see more partnerships between Insurtechs and carriers in the coming year versus us competing with them,” he predicted.

Foy is far more concerned with direct writers than Insurtech companies. He thinks alliances and agents need to make sure consumers understand the value that independent agents deliver, that consumers will not pay more with them and that independent agents provide better, local service. “We haven’t done a good enough job of making that clear — not to the average consumer, especially those under 30 years old.”

Ten years from now, Foy thinks traditional, personal lines only carriers will get into small commercial lines. He sees a shift among agency principals to try

to do more business with regional, independent-agency only carriers and away from the national multidistribution carriers. In addition, Foy thinks alliances will merge together.

Independent agencies will continue to be a strong platform and business model 10 to 20 years from now, according to Towle. “I don’t think our relationships and our understanding of the communities and the risks they have

will be easily dislodged by technology, but we need to continue to find ways to be efficient. You have to keep making investments that make you efficient and invest in the talent that is your future. Aggregations can be part of that,” he said.

Masiello urged agents not to lose sight of the fact that consumers, not carriers or alliances, are forcing changes on the insurance industry.

“We can push back as much as we want, but if we’re not the agent they want, they will find their path to purchase their insurance. In 10 years, agents have to be focused on two things: being an advisor in the risk selection and the insurance purchasing process and being an advocate relative to the service process, where if consumers can’t accomplish what they want to do, we have to be prepared to step in. All of those things require us to be evolving now.” ■