

Miracle Grow

Grow your agency in any market condition.

How does your agency grow? Does it cough along like a tubercular Model T, occasionally sliding into reverse, or does it roll smoothly and efficiently forward like a hybrid?

In the face of today's austere economy, independent agencies are feeling pressure to drive in new business more quickly than ever—not only to expand, but to maintain revenues being siphoned off by the soft market. Best Practices agencies continually find wise ways to thrive in any market or economy, and have implemented multiple strategies other agencies can emulate to maintain healthy, consistent growth. What are their secrets?

Specialize for Success

Like many of his Best Practices peers, Brad Berrong, president of Ed Berrong Insurance in Weatherford, Okla., says a niche market is the engine of agency growth. His agency has specialized in the oil and natural-gas industries for 25 years, and has expanded from Oklahoma to Arkansas, Texas and Louisiana. "With niche markets, you can focus and systematize an attack on a particular business," he says. And once you begin to strategize, "You realize you can have a giant market to sell in."

That's not to say you should pick just any market to call your own. If you decide to promote a business owner's policy (BOP) for printers, for example, you'll find that "everyone has one and there's nothing that will make you special," Berrong adds. Instead, he suggests searching for carriers that offer products beyond the norm. And once you've found them, he advises agencies to market what they have "because when you're unique, you have something to sell."

Niche markets can spur consistent growth and thus add to an agency's economic stability. When the oil business began declining in Oklahoma because the most easily accessible oil had been drilled out, Berrong began focusing more heavily on Arkansas and Texas where the industry is still growing. He also became licensed in 13 states so he could expand his market in multiple lines. As a result, Ed Berrong Insurance grew from less than \$1 million in annual premium to more than \$14 million today, with clients scattered from Florida to Colorado.

Also contributing to the agency's growth is Berrong's solid reputation with his insureds. Not long ago an attorney whom Berrong had never met called to move all of his insurance to the agency. "I've been told you're going to take good care of me, so I'm in your hands," the attorney said. He has since referred another \$150,000 in business.

Hire Strategically

Trent Richmond bought Bridges Group, Inc. Insurance in Norton, Kan. 11 years ago when it employed two people and brought in \$1 million in annual premium. He decided to specialize in agricultural insurance because he'd had some experience in farming, and because agriculture is the No.1 industry in what's known as the nation's "Bread Basket."

But Richmond didn't go it alone. He began hiring people who had either sold seed or were farmers themselves, and then trained them in insurance. One tool Richmond finds useful is the Agribusiness and Farm Insurance Specialist (AFIS) designation program offered by the Insurance Skills Center in Huntington Beach, Calif.

Today Bridges Group produces \$12 million in annual premium and has 13 employees. Its most recent hire: a producer who owns a trucking company and has construction experience. Richmond is excited about his new hire's prospects since Northwest Kansas plays host to a strong trucking industry that serves agribusiness. "It means so much (to customers) when you can talk tractor models or horsepower, or about the motor in their truck," he says.

Make Producers Pick

The Bigham Kliewer Chapman Watts brokerage (BKCW) in Killeen, Texas has seven property-casualty producers and at least as many niche markets. That's because the brokerage's owners require their producers to select one or two markets they find intriguing and specialize in those areas. "We've found that if you have an interest in a particular market, you understand its language and what its people do," says Bill Kliewer, managing partner at BKCW. "It's also easy to become an expert in an area you have a passion for."

This approach has been effective—one producer who chose motels and reasonably priced restaurant chains called Kliewer at the end of December to tell him he had written 29 Appleby's. Another sales person focusing on car dealerships wrote roughly \$50,000 in commissions in this niche during his first year in business.

Kliewer himself developed a niche in social services agencies, whose coverages are usually written in the surplus lines market. In the late '70s he convinced Cigna to begin writing these risks, and with the first one he brought in saved the client "a lot of money," and still wrote the business for more than expected premium. The client subsequently referred Kliewer to another social services agency, which he wrote and later learned was managed by the president of the state social services agency network. From there, business in this niche came steadily and grew into a major market for both BKCW and Cigna (which later sold the business to another insurer).

Today BKCW has grown from an agency writing \$500,000 in premium to a brokerage that produces nearly \$10 million in annual revenues. Growth in commercial lines, which composes 80% of the firm's business, averages about 12% a year. Growth in employee benefits, which produces the remainder of business, averages 20% per year. But Kliewer emphasizes that when it comes to pursuing business, agency size doesn't much matter. "You can go wherever you want," he says, "as long as they have cars and airplanes that go there."

Isolate New Niches

Once you develop a new niche, you'll want to know as quickly as possible if it will be profitable for your agency. That's why Dallas-based Swingle Collins & Associates set up a separate profit-and-loss category for the small-commercial accounts it began selling a few years

ago. After 18 months, the writing was on the wall. "We gave great service, but we lost our shirt," says Frank Swingle, president and CEO. Why? The cost to operate the department was too high. The agency stopped writing the accounts.

Small accounts can indeed be a growth stopper. That's why Bill Kliewer at BKCW pays his producers only for commercial accounts that produce \$1,500 or more in annual commissions. Offsetting this restriction, however, is the agency's policy of paying 50% commission on new business and 35% on renewals, which Kliewer says is possible due to lower back-office costs in Killeen than in larger cities.

Maintain a Sales Culture

Bruce Dunbar, president and CEO of the McGriff Seibels & Williams, Inc. brokerage based in Birmingham, Ala., attributes much of his firm's current growth to a culture unswervingly dedicated to sales. "We grow by producing new accounts, servicing them well and working hard," he says. The agency focuses on more than a half-dozen markets, including energy, marine, employee benefits and financial services, and targets best-in-class companies in each one. Upon acquiring an account, "We try to give them what they need to successfully continue their trade," says Dunbar. "Our competitors don't seem to be able to do this."

Dunbar keeps tabs on other firms that pursue the same markets his brokerage targets, and then strives to outdo them. It works. "We have all the resources and tools to grow without interference from national distribution chains or companies," Dunbar says.

Given that McGriff Seibels & Williams became a subsidiary of BB&T Corp. in 2004, you might think most of the brokerage's growth originates from the bank—but it's not. Before being acquired by BB&T, the brokerage was the second-largest privately owned commercial brokerage in the U.S. (It is now the sixth-largest brokerage in the country.) Dunbar says the firm has brought a large-account capability to the bank's insurance services arm and provided growth outside the bank's footprint.

Avoid Unprofitable Lines

If your earnings per employee is lower than the average for Best Practices agencies in your agency's size category, you should examine the profitability of each business line. Trend Richmond at Bridges Group did exactly that five years ago and identified several areas, including monocline motorcycle, that weren't making money. "So we quit marketing these things," says Richmond. "It's not that we want to turn anyone down, but we want to sell as a package. And people understand this when we tell them."

What a difference the decision made. Within four years, average earnings per employee at this 13-person agency increased \$45,000, catapulting the agency into the range reported by other Best Practices agencies.

Don't Be Afraid of Change

Swingle Collins & Associates was named one of the top Best Practices agencies of 2008, and Frank Swingle is still amazed that the agency got there by selling only p-c insurance. "We do a lot in real estate, technology, staffing and light manufacturing," he says, "but we're not a specialist. Our specialties change as the market changes."

If another firm enters a particular market with the objective of out-pricing Swingle Collins & Associates "then that (market) is no longer our specialty," Swingle explains. To facilitate this flexibility, agency producers regularly ask why they were able to write a particular account. Depending on the answer, a new push may begin to promote a particular product or feature of a product. "Maybe we wrote the account because we could write the endorsement," Swingle says. "So then we start selling these endorsements."

If there is one item that stands out among the secrets of successful agencies it is the determination to keep selling no matter what. Great service is essential and helps keep customers in the fold, but watch out that you don't spend more time servicing than selling. High-growth agencies consistently focus on finding new and improved products, better markets and profitable reasons to buy coverages from them.

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