

Choose the Right Companies and Watch Your Profits Skyrocket!

By Chris Burand

“Searching is half the fun: life is much more manageable when thought of as a scavenger hunt as opposed to a surprise party.”

—Jimmy Buffett, A Pirate Looks at Fifty

Are your companies’ actions a surprise?

Do you represent extra companies as a cushion to protect yourself from unexpected company actions?

Would you like to know your companies are unlikely to take detrimental actions instead of always wondering what they are going to do?

If you answered “yes” to any of these questions, then it’s time to start searching for clues to forecast your companies’ stabilities rather than letting their actions catch you by surprise. Below is a table of one company’s results from several years ago. Look at the chart and take a moment to think about what you think that company did in the ensuing years.

	Company Pure Loss Ratio	1999 Industry Average
Commercial MultiPeril	76.70%	69.70%
Private Passenger Auto	71.80%	68.00%
Commercial Auto	87.00%	78.50%
Other Liability-Occurrence*	56.10%	69.00%
Workers' Comp	81.20%	81.20%
Reins-Casualty**	86.20%	N/A
Medical Malpractice Claims-Made*	65.30%	77.60%
Homeowners	91.60%	64.00%

*Includes Occurrence and Claims-Made for Industry Average

**Includes Casualty and Property for Industry Average

Comparison of Growth Rates	Growth Rate
Company Growth Rate	-7.00%
Industry Growth Rate	5.00%

Do you think they raised rates? How about tightened their underwriting? Do you think they got tougher on their agents? This company did all these things. Using the charts, you probably predicted these actions, so why be surprised by a company’s actions when you can predict them?

Agencies need to look carefully at their companies’ results to manage their agencies effectively. Unfortunately, most agencies don’t because they don’t know their companies’ results and they

don't know how to get them. The good news is companies have this information! Ask them! If, however, a company is not willing to share their results, start searching for a new company. Every company should be willing to provide this information upon request and if not, the company is not worth representing. Other sources include state insurance departments (though finding the information may be difficult) and A.M. Best.

Be careful not to rely on company ratings (A+, A, A-, B+Y for example) because very little correlation exists between a company's rating and whether they are likely to make drastic changes in underwriting, pricing, or appetite. Many companies rated in the "A's" have taken sudden actions detrimental to agencies and rating downgrades did not precipitate their actions. Agencies need companies' actual results by line for their state.

Another very good tool for evaluating your companies is a company evaluation survey (similar to the one shown below). Everyone in the agency should rate each company in the areas where they deal with the each company. Tally the scores and then ask yourself if the companies with the worst scores are "Why Companies" as in, "Why do we represent them?"

Use your companies' own results and your survey results to take control of your agency's future. Get rid of your worst companies before they start cutting back and you find yourself losing tons of business or a company appointment. Agents that fire companies smile forever-after when talking about it.

With greater control and knowledge, you will not need to represent as many companies and based on surveys by Rough Notes, APIS, and Best Practices, agencies representing fewer companies make a lot more money, all else being equal. Contingencies are higher and agencies are more efficient because they spend less time with marketing reps and underwriters and they have fewer manuals, rates, and procedures to learn. Additionally, the companies you continue to represent will enjoy bigger books and closer relationships. Choose the best companies and watch your profits skyrocket!

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NOTE: None of the materials in this article should be construed as offering legal advice, and the specific advice of legal counsel is recommended before acting on any matter discussed in this article. Regulated individuals/entities should also ensure that they comply with all applicable laws, rules, and regulations.

June 2001

COMPANIES

Claims	Timeliness						
	Fairness						
Policy Issuance	Timeliness						
	Accuracy						
Products	Variety						
	Quality						
	Pricing						
Automation	Direct Bill Facilities						
	Interface Capability						
	Agency Auto. Resources						
Underwriting	Responsiveness						
	Consistency						
	Flexibility						
Marketing	Compatible Philosophy						
	Advertising Support						
	Professional Field Staff						
	Quality Agency Contract						
Education	Variety						
	Quality						
Agency Management	Variety						
	Quality						
Accounting	Premium Finance Plans						
	Account Payment Options						
Commissions	Basic						
	Excess						
	Contingencies						
Other Production Incentives	Financial Assistance						
	Producer Development Aid						
	Travel Prizes						
Financial Position	Strength						
	Stability						
Management	Responsiveness						
	Competitive Attitude						
	Flexibility						
	Support of Agency System						
Total							