

The More Things Change the More Things Stay the Same *by Chris Burand*

I enjoy history. I have read a lot of history and hopefully in the process, learned something about the mistakes others have made and maybe avoided a few mistakes in my own life by doing so. A few weeks ago I was reading some old insurance articles. These articles were twenty to twenty-five years old. Here are a few excerpts,

“Agency owners must quit referring to female employees as girls.”

“The number of policies per account need to be at least two.”

“Every agency should have a goal of \$100,000 revenue per employee.” (A 1993 article)

I have said these same things to at least one agency within the past few months. The more things change, the more they stay the same and these statements are still important.

If male owners keep calling female employees “girls” they run a good risk of being sued—successfully! If an agency does not increase their policies per account, someone else will. If an agency does not achieve \$100,000 revenue per employee, they will not be efficient enough to survive.

These authors felt strongly about these same issues twenty years ago and yet, many agencies have survived while ignoring this advice. So are these issues really that important? Absolutely! And, they are more important today than ever before and here is why:

- Many agencies have not survived. The number of surviving agencies has decreased significantly.
- Our industry has never experienced the sudden consolidation it is now experiencing. In a 1995 Conning & Co. study, only 85 agencies had \$10 million or more. Now, even after the most prolonged soft market in memorable history, Marsh-Berry estimated in 2000 that 211 agencies had \$10 million or more in revenue. These agencies used to be limited to just huge commercial accounts but that is not the case anymore. Several large agencies/brokers focus on small and middle market commercial and personal lines.
- The number of insurance companies has declined and will decline even further due to prolonged soft pricing and poor reserving. This decreases an agency’s ability to play one company against the other and enables companies to force agencies to either give them big books or get lost.
- Agencies most adept at using information systems stand to gain tremendous efficiencies. I have seen very automated agencies with paperless systems increase CSR capacity by probably 25%.
- Large, very efficient agencies can profitably write business net of commissions, something not often done twenty years ago, which gives them a price advantage. Similarly, the largest and most efficient agencies can pay good employees more money and provide

better training. The result is like a professional sports team. Some teams can offer much higher pay to the best players and those who can't have losing records.

This is not to say small agencies are doomed. Many small agencies have a higher policy per account ratio and higher revenues per employee than their larger competitors. Much more important is recognizing that while some advice has not changed, the forces behind the advice have changed and we can change with the times or be left behind.

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