

FIVE-STAR NETWORKS

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***Insurance Business America* asked thousands of producers to rate how their networks are performing in key areas - and talked to leading figures at the networks to get their reaction to the results**

“YOU ARE not entitled to your opinion. You are entitled to your *informed* opinion.”

The words of American writer Harlan Ellison were ringing in our ears when we asked producers to select this year’s five-star networks. After all, who better to cast judgment on a network’s performance than those who use its services every day?

As a follow-up to the “Producers on Networks” story we published last month, *IBA* surveyed members of networks and alliances to find out which groups were

performing best in eight key areas. If a network scored 80% or better in the category, it received a five-star rating.

However, our research didn’t end there. After hearing from the producers, we also sought out reactions from heads of some of the leading networks across the US. Did they agree with the producers’ opinions? What did they think about the areas where producers thought networks weren’t up to snuff? And what did they have to say to those producers who are still reluctant to join a network?



So what is a network?

Even the word 'network' is a clear point of contention throughout the industry.

"A lot of people simply don't understand networks," says Frank Whitcomb of the Minnesota Independent Insurance Agents & Brokers Association. "In the state of Minnesota, we have nine agencies that we can describe as networks – they are state-based agencies. They may have 10 or more locations, but they are all within the state, offering advantages to local companies.

"[Aggregators and networks] are very different," he continues. "In fact, we find that many companies may be more cautious about working with aggregators but not with state-based networks. Aggregators are often viewed as competition by the traditional independent agencies, whereas state-based networks are more individualized and more closely held."

George Biancardi, president and CEO of Networked Insurance Agents [NIA], agrees that the terminology has not been well-defined.

"The terms – network, cluster, aggregator and even wholesaler – are used interchangeably, with each meaning different things to different people," he says. "Where does Networked fall? On both sides, because we have two main businesses. One is what we call a cluster... which approaches the insurance market as one group. The other is what we call aggregation, which comprises over 1,000 independent agents."

Meanwhile, Bruce Basso, CEO of the Worldwide Broker Network [WBN], believes that aggregators and networks are actually vastly different organizations with contrasting goals.

"An aggregator is usually an entity with venture financial backing that is buying agencies and brokers with the intent of forming them into a single company somewhere down the line," he says. "It has a specific game plan, which is what people are buying into, but it is not about independence. It is about either being acquired for a greater goal or looking for a stronger path in a larger organization.

"An independent network," he continues, "is not about combining under a single company through purchase or sale, but attaining common goals, including greater revenues and increased profitability – but independently."

But while there's seemingly no unified definition as to what a network is, its benefits for insurance producers are clear.

"The terms – network, cluster, aggregator and even wholesaler – are used interchangeably, with each meaning different things to different people"

George Biancardi, Networked Insurance Agents

ACCESS TO AN INCREASED NUMBER OF COMPANIES AND PRODUCTS

FIVE-STAR NETWORKS ACCESS TO COMPANIES AND PRODUCTS

- ✦ Agency Network Exchange
- ✦ Iroquois
- ✦ Insurance Producers Network
- ✦ ISU Group
- ✦ Keystone
- ✦ Networked Insurance Agents
- ✦ Pacific Interstate Insurance Brokers
- ✦ Smart Choice
- ✦ Strategic Insurance Agency Alliance

According to our survey, the standout benefit of being part of a network is the access producers receive to a wider range of insurance companies and products. This perk rose from second place in last year's survey to first this year. It was also the category in which the most networks achieved a five-star rating for their performance.

However, according to network heads, producers should examine why a network formed to ensure its structure meets their requirements in terms of the markets it can introduce them to.

"Some networks, such as those for smaller agents or brokers, form for company clout, or buying power with insurance products or other services," Basso says. "Clearly, the combined buying power of a network gets greater attention from insurance companies."

PRODUCERS' PERFORMANCE RATING

8.22

COMMISSIONS AND PROFIT-SHARING

FIVE-STAR NETWORKS COMMISSIONS AND PROFIT-SHARING

- ✦ Agency Network Exchange
- ✦ Iroquois
- ✦ Insurance Producers Network
- ✦ ISU Group
- ✦ Keystone
- ✦ Pacific Interstate Insurance Brokers
- ✦ Smart Choice
- ✦ Strategic Insurance Agency Alliance

Commissions and profits are a vital reason for producers to join networks – and the networks appear to be delivering. Producers gave their networks an average score of 8.09, making this the second highest performing category, slipping slightly from first last year.

"Captive writers are looking for higher commissions by working on their own," Whitcomb says. "If they find a network that says, 'I can give you an expanded market and a high commission split,' then this is a win-win situation."

Paul Taylor, executive vice president of sales at Smart Choice, believes that offering high commissions is a vital component of his company's winning formula.

"With us not charging fees and dues, and giving the agent the ability to receive 100% of the commissions, we added close to 900 new agents in 2015," he says.

PRODUCERS' PERFORMANCE RATING

8.09

FIVE-STAR NETWORKS

ACCESS TO NICHE AND NONTRADITIONAL MARKETS

FIVE-STAR NETWORKS ACCESS TO NICHE MARKETS

- ✦ Insurance Producers Network
- ✦ Iroquois
- ✦ Keystone
- ✦ Strategic Insurance Agency Alliance

Access to nontraditional and niche markets has maintained its place as the third highest performing feature of networks for the second year in a row, although only four networks were able to earn a five-star rating in this area.

David Ward, regional vice president for Iroquois South, believes that by offering increased market access, networks can help their members reel in the cash.

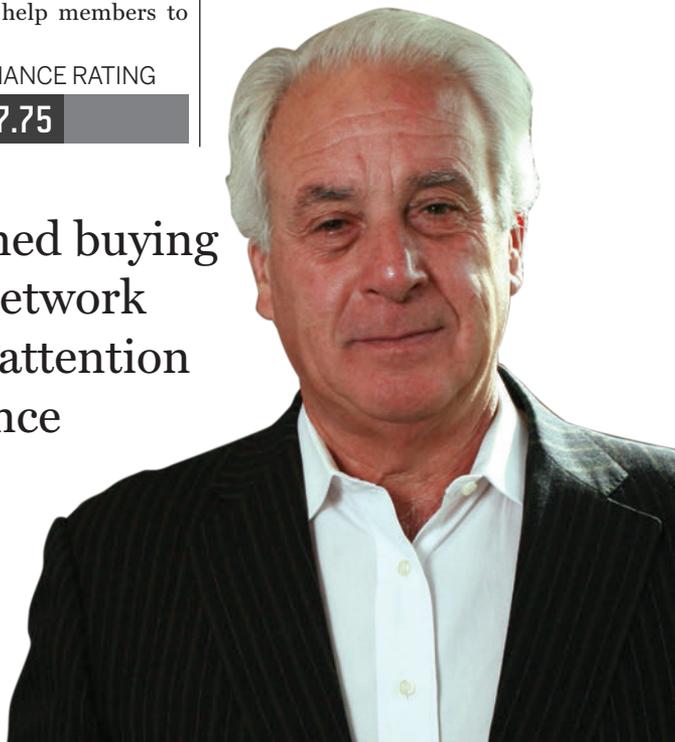
“Our size and track record of profitability with our core companies help us create increased revenue opportunities for our member agencies,” he says. “Providing access to additional markets so that members can write and retain more business is another way in which networks can help members to increase their revenue.”

PRODUCERS' PERFORMANCE RATING

7.75

“The combined buying power of a network gets greater attention from insurance companies”

Bruce Basso, Worldwide Broker Network



TRAINING AND EDUCATION

FIVE-STAR NETWORKS TRAINING AND EDUCATION

- ✦ Iroquois
- ✦ Keystone
- ✦ Smart Choice
- ✦ Strategic Insurance Agency Alliance

Getting new talent into the business is proving difficult for many companies – but it appears that networks are providing vital support in educating those who do arrive. Producers gave them an average performance rating of 7.11, and four networks achieved a five-star rating.

Networks don't just provide training for newcomers – their educational resources also can be used by existing producers to bolster their performance. This can include introductions to new technologies, profit-sharing programs and revenue-enhancing strategies.

PRODUCERS' PERFORMANCE RATING

7.11

OVERALL BUSINESS CONSULTING

FIVE-STAR NETWORKS OVERALL BUSINESS CONSULTING

- ✦ Iroquois
- ✦ Keystone

Business consulting is generally seen as a key offering by the networks themselves – but only two networks, Iroquois and Keystone, were able to net a five-star rating in this category.

Nevertheless, networks often provide an extensive range of business consulting offerings, from market optimization, which helps producers determine the right market mix to maximize profits, to financial benchmarking, which often involves a complete analysis of a company's performance with assessments about where they can improve. Some networks also offer accelerator programs designed to help individual agents to achieve their goals faster.

PRODUCERS' PERFORMANCE RATING

7.09

MARKETING

FIVE-STAR NETWORKS MARKETING

- ✦ Iroquois
- ✦ Networked Insurance Agents

Building a brand has become a vital component of any business – but the networks earned only a slightly above average rating for their marketing performance, and Iroquois and NIA were the only networks to receive a five-star rating.

WBN's Bruce Basso believes marketing is one of the key components of a network's offering and that producers can benefit greatly from the expansion in awareness that a network can offer.

“Building a brand is a central focus,” he says. “The idea is to develop tools ranging



from advertising to videos to collateral material – all to expand awareness of the network and its individual members. Some members – usually the larger ones – lead with their own firm’s brand and then incorporate the network when needed. Others may choose to lead with the network brand, especially with new prospects. It’s up to the individual member firm.”

PRODUCERS’ PERFORMANCE RATING



CUSTOMER SERVICE SUPPORT

FIVE-STAR NETWORKS CUSTOMER SERVICE SUPPORT

- ★ Iroquois
- ★ Networked Insurance Agents

PRODUCERS’ PERFORMANCE RATING



ADMINISTRATIVE SUPPORT

FIVE-STAR NETWORKS ADMINISTRATIVE SUPPORT

- ★ Iroquois
- ★ Pacific Interstate Insurance Brokers

Networks received middling performance ratings from producers in customer service and administrative support. However, there may be more to the story, given that many producers commented that they expect to provide that type of support themselves and don’t actively look for these features from a network.

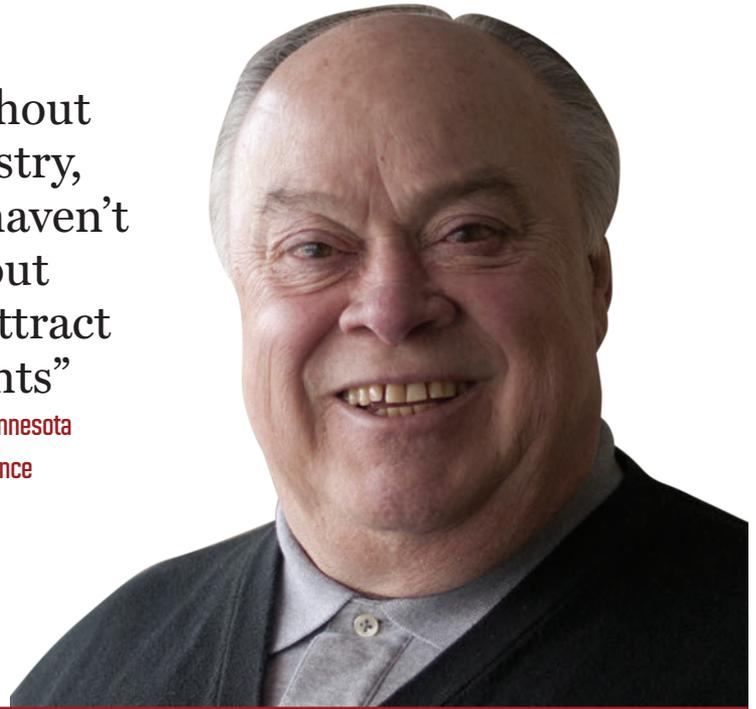
Nevertheless, two networks were still able to earn a five-star rating from their producers in each category.

PRODUCERS’ PERFORMANCE RATING



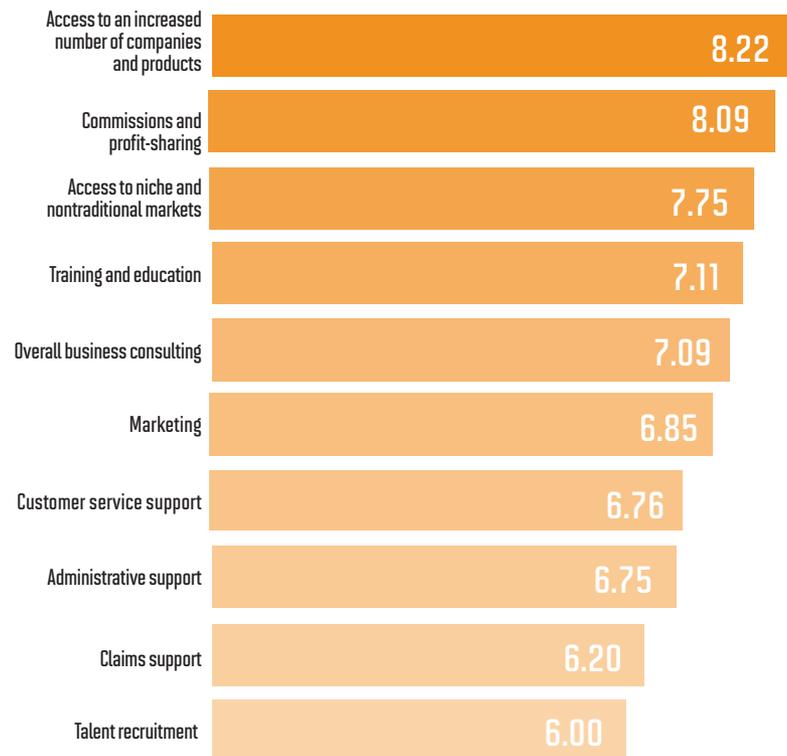
“Throughout the industry, we just haven’t figured out how to attract new agents”

Frank Whitcomb, Minnesota
Independent Insurance
Agents & Brokers



HOW WELL ARE NETWORKS PERFORMING?

We asked producers to rate on a scale of 1 (poor) to 10 (excellent) how well their networks are currently performing in each of the following areas:



FIVE-STAR NETWORKS

CLAIMS SUPPORT

FIVE-STAR NETWORKS CLAIMS SUPPORT

- ★ Iroquois
- ★ ISU Group
- ★ Keystone

There were two areas of comparative weakness among the networks, according to our survey respondents: claims support and talent recruitment. However, when asked which network benefits were most important, producers also rated these two areas the lowest.

Smart Choice's Paul Taylor was surprised to see claims support come in so low on the list, noting that he has never known any issues in this area.

"Our agents are contracted directly with our insurance company partners and have direct access with each company when handling claims," he says. "I can't recall any claims issues from our agents. We do work closely with our insurance company partners, helping agents identify and train new producers and CSRs through the companies' certified training programs."

Although claims support received a relatively low score overall, three networks managed to achieve five-star status.

PRODUCERS' PERFORMANCE RATING

6.20

"I feel joining a network gives the agency more independence"

Paul Taylor, Smart Choice



TALENT RECRUITMENT

Talent recruitment was a different story – no networks were able to ascertain the illustrious five-star rating. As the average age of agents in the industry climbs to 57, Frank Whitcomb believes this is a quandary that stretches far beyond the networks alone.

"Honestly, this is an industry-wide problem," he says. "Throughout the industry, we just haven't figured out how to attract new agents. We're reaching a point where the number of retirements is rapidly increasing, and this is creating a real need for new talent. However, it's hard to find."

Taylor, however, believes there are solutions in the form of top-quality training programs.

"Many companies have agent producer schools, CSR training programs and many other outlets for agents to use," he says.

NIA's George Biancardi, meanwhile, believes this is only a problem in certain areas of the industry.

"Talent recruitment is actually a huge benefit for the larger networks that actually place business with carriers on behalf of their member

networks can offer a small agent resources usually found from only the largest regional or national brokers."

PRODUCERS' PERFORMANCE RATING

6.00

To join or not to join

So what about those producers who aren't already part of a network? For them to be enticed, they'd need proof that they could gain access to niche markets – producers who weren't part of a network ranked this as the top reason they might consider joining a network.

However, Iroquois' David Ward disagrees with the emphasis producers placed on this factor, believing it represents short-term thinking and that the wider connections the network can offer are more valuable than the latest in-fashion market.

"I think it's safe to say that most agencies start looking at networks as a way to gain market access to carriers that are currently considered 'hot,'" he says, "but I believe they soon find out that gaining market access to the 'hot carrier of the month' is a futile quest because carriers run hot and cold. Instead, agencies that get the most out of a relationship with a network or aggregator use the connections and expertise of the network to build a stronger agency."

Of course, some producers simply can't be persuaded to join a network – loss of independence was cited as the leading reason to stay away. But many network heads argue that this fear isn't always realistic, and that many networks actually embrace a culture of independence.

"It is the degree to which agents can maintain their independence that differentiates many networks," Ward says. "Iroquois, for example, was begun by independent agents, and maintaining agency independence has been a core value for us for almost 40 years. We don't tell our members how to run their agencies. We give them information, resources, options and incentives, and allow them to choose which ones are best for their agency."

Biancardi also believes that these concerns will quickly subside once agents truly understand the realities of being part of a network.

"Loss of independence is naturally a major concern for any independent agency owner," he says. "However, we do not require equity in our

members' agencies, and they maintain full ownership of their books of business. As they develop books of business with certain carriers, we help them to establish direct relationships with those carriers if they desire more control and are adequately staffed. Some agents prefer to leave the placement of new and renewal business to us while they focus on strengthening and developing their own client relationships."

Basso says the onus is on producers to evaluate the marketplace and understand how the network is structured. If it has rigid, franchise-like requirements, it might not be a good choice; however, others offer strong independence and respect their members' culture.

"You always have to look at the intent of the network and how well it executes for the membership," he says.

Then there are those who believe that



"Gaining market access to the 'hot carrier of the month' is a futile quest because carriers run hot and cold"

David Ward, Iroquois South

producers actually gain more independence by being part of a network.

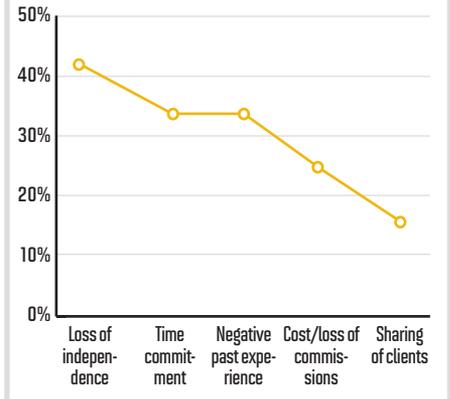
"I feel joining a network gives an agency more independence by allowing them to add companies with less volume commitments and also get higher compensation," Taylor says. "Many agencies become captive to one or two markets, strapped with high-volume commitments."

"I don't see it as an issue," Whitcomb adds. "If anything, producers are gaining freedom from being managed so heavily by a captive company. The only time I can really see this as being an issue is that independent agents joining aggregators or a network may not have the freedom they had before. But this is why it's so important to have different business models – different agents will thrive in different environments."

How good are networks?

Producers who are already working with networks had an overwhelmingly positive response to our survey. In fact, nine networks earned a five-star rating in at least two categories, suggesting significant satisfaction among producers.

WHAT'S KEEPING YOU FROM JOINING A NETWORK?



When it comes to selecting a network, therefore, perhaps it's important to consider not only the quality of the service available, but also how the network will meet your company's unique needs.

"To compare one network to another, consider market expertise, quote/request turnaround times, technology and follow-up from the network's account management and customer service teams," Biancardi advises. "The service staff is the key for helping the agent to write more business than they otherwise could on their own."

"Joining a network gives an agency the opportunity to increase its total revenue and use the network's resources, scale and markets to better compete against other larger agencies," Ward adds.

Among the experts we spoke to, unsurprisingly, the message is clear – networks are the present *and* the future. **IE**

