

This is a Sloppy Industry — Which Creates Great Opportunities!

By Chris Burand

Property/casualty, and even benefits, insurance, as practiced, is often sloppy. Quality is often not a true concern. I know everyone professes quality is critical, but quality is often not reality. I am surprised in fact, that the sloppiness of this industry does not receive more attention. The good news is that sloppy industries are ripe for firms that can deliver quality.

Let's first establish the extent of the sloppiness. The industry only manufactures paper and when claims occur, it manufactures checks and legal defense. More sophisticated agencies manufacture loss control. The industry does not manufacture complex machines. In fact, even the forms used are usually standard forms, boilerplated commodities. Yet, there are insurance companies that cannot print and mail or even email a policy before the effective date, even on renewals where nothing changes. These policies are not merely a day late or a week late or sometimes not even just a month late. I have personally received my business owners policy (BOP) renewal nine months late. That is more delay than a space shuttle launch. Keep in mind the complexity of a space shuttle. My BOP had one custom item: my name. That's sloppy.

Agencies spend small fortunes checking insurance policies delivered by carriers and brokers for errors. They do this because the error rate is still too high. I wrote an article some years ago regarding carrier error rates and received a call from the head of quality control for a major company. She advised that her company never made mistakes. I have told this story many times to agents, especially agents who represent that company. They roar with laughter; they know better.

One reason this industry is so sloppy is because denial is the favorite reaction of too many insurance executives. Of course, this makes those companies quite vulnerable to smarter competition because it is tough to provide good customer service when your head is stuck in the sand.

A smart insurance company that provides timely, accurate policies would create a competitive advantage for itself. Too many companies still do not understand that if they want to grow, they need to be easy firms with which to do business from a CSR's point of view as well as from the customer's perspective. Some are too busy paying more money to agents to get the business. In many of these cases though, agents do not benefit because the extra money they make is all spent on the extra service work required. Some companies are even too busy stealing their own agents' accounts because they are desperate for growth. True quality would be a better solution.

Agents are not free of sloppiness either. Not completing applications is sloppy. Not documenting files is sloppy. Renewing policies "as is" year after year after year is sloppy. Not offering material coverages is sloppy. I am a huge proponent of coverage checklists, so I cannot comprehend agencies not recommending that all commercial clients at least purchase basic

coverages such as employment practices liability insurance, equipment breakdown, business income, workers' compensation and umbrellas. Yet, possibly a majority of producers do not regularly offer these coverages. This is sloppy.

Many people rationalize this behavior. They have lots of reasons and excuses. But the bottom line is this is sloppy behavior. How else can you define not filling out applications when that is your job? I suppose this might be considered lazy rather than sloppy. Either way, what happens to lazy or sloppy companies?

How else can you define renewed as is for five years without ever talking to the client? It's not because the insured does not want to talk. No one has asked the client to talk about their renewal. Let's suppose that no discussion is necessary. If that is the case, then no commission needs to be paid because no work is being done.

A popular sales book, Randy Schwantz's *The Wedge*, is worth reading. A key point in the book is that this industry is so sloppy that a producer can easily use the incumbent agent's sloppiness as a wedge to separate clients from their current agent. It makes sense.

Maybe you are an agency owner and you do not want a sloppy agency. Look at your producers. Do they follow your agency's procedures? Do they actually work their renewals? Do they offer the coverages they should be offering? If they do not, maybe you do not want a sloppy agency, but you are tolerating sloppy practices.

If you do not tolerate sloppy, lazy behavior, how can you turn your superior performance into a competitive advantage? Ask prospects what their agent is really doing to earn their commission/fee. Be prepared to show all the work you really do. Track your error rate, improve upon it and show the results to your clients and prospects. Show that you work all renewals. Show that you care about your clients getting the right coverages, which is why you mandate coverage checklists on all accounts. Show that your people are educated. Show that you work and don't take short cuts. Times are tough right now and eventually, the cream always rises to the top.

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