

AGENCY **GROWTH SOLUTIONS**

# The Threat of Being a Generalist Agent in a Specialist's World



WHITEPAPER

## A CHANGING MARKETPLACE

Insurance producers tend to fall into one of two categories with respect to their approach to the marketplace. Usually, producers engage with prospects and clients as either a generalist or as a specialist. Although there are advantages and disadvantages to both options, it is critical for agencies and producers to reassess their positions due to dramatic disruptions in the marketplace. The insurance industry is changing at an accelerated pace, and agencies and producers must adapt or risk an erosion in their current book of business and reduced new business production.

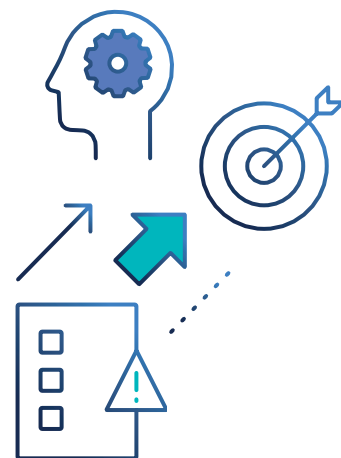
## THE MYTHS OF GENERALISTS

Operating as a generalist has a strong appeal. Generalists are not restricted to certain industries or lines of business, and are available to all opportunities in the marketplace. Historically, insurance agencies have even marketed themselves as a one stop shop that can handle all insurance needs. And in areas with less population density, it is necessary to operate as a generalist due to the paucity of niche business opportunities.

If an agent or agency lacks unique expertise in a class of business or line of coverage, they tend to gravitate toward less hazardous or less complex accounts. We don't usually find generalists writing such risks as: oil and gas, interstate trucking, large construction, food manufacturing, or medical malpractice, just to name a few. High hazard and complex accounts, by their nature, require specific expertise, and the learning curve is usually too steep for generalists.

Generalists must be aware that they face a number of serious emerging risks that were not present just a few years ago. The first, and likely most significant, are the changes insurance companies are making with their distribution channels. Numerous personal lines insurance companies have been going direct to the customer for quite a while, but we are now seeing a similar shift in the commercial space.

A report by McKinsey and Company entitled "Agents of the Future: The Evolution of Property and Casualty Insurance Distribution" created much debate, and at least some consternation, in the insurance agency community. The report said, "There are signs that the economics of the traditional agent model are beginning to unravel. Carriers are interacting more directly with customers, at lower cost and often with more consistent service levels. The once clear division of labor between carrier and agent is diminishing, but agent commission structures remain largely unchanged. Many carriers are now reconsidering how they allocate their distribution budgets and asking themselves what role agents should play in the system."



So, generalists must ask themselves: “Who is more likely to change from a traditional agent model to an internet-based or other alternative model?” Will it be the high hazard, complex risks that require specialty expertise, or companies that are less hazardous and less complex? It is reasonable to assume that it is far less likely for those companies who need specialized expertise to move to an alternative distribution source than those who perceive themselves as a main street company.

Additional threats to generalists include the emergence of non-traditional players who are either entering or gaining greater market share in the insurance space. They include: payroll companies, private equity/hedge funds, and software as service (SAAS) companies. Sometimes, it is difficult to determine the primary focus of a company that sells insurance. Payroll companies have been in the mix for a while. However, we are now seeing companies emerge that do payroll but would not describe themselves as a payroll company.

Start-up business models are becoming more difficult to describe or categorize since they are bundling multiple business products and services. Are they a payroll company that sells insurance, or are they an insurance agency that offers payroll on a pay as you go platform? Are they a human resource company that sells insurance or are they an insurance agency that bundles in technology with their insurance sale? Again, you can be certain that these nontraditional competitors will, at least initially, feed from the lower risk, less complex accounts.

## WHY SPECIALIZE?

Insurance agents frequently push back at the notion that their opportunities will be eroded in much the same way as travel agents and stock and mortgage brokers. Many assert that insurance is more complex and that consumers need greater support that only an agent can offer. Are you willing to bet your future on that position? The smart money, such as the folks at McKinsey, would suggest that would be a bad bet.

In addition, it is wise to take a look at the macro trends for professional services in the broader economy. Specialists in medical, legal, and financial, just to name a few, are in much higher demand and are remunerated at a higher level than generalists. In some professions, we are even seeing specialties within specialists, such as a when an orthopedic only treats and operates on hands.

Another drawback to selling as a generalist is that it is difficult, if not impossible, to gain the necessary knowledge and insight into a particular industry or business to differentiate from competitors. There are two primary ways to differentiate from competitors. One is to assist business owners and managers in discovering risks, threats, and waste in their business of which they were not previously aware. And the other is to demonstrate that you have a unique approach to address them.



Without a dedicated focus on a specific market segment or line of coverage, it is unlikely an agent will have the ability to accomplish either of the above objectives. This inability leads to an agent being forced to differentiate on price or by using the dreaded “value-added” sales process. If it is a price game, then the internet is more efficient, convenient, and always available.

Ample choices await agents who wish to move from being a generalist to a specialist. The first step is to commit to change, then pick one or a few areas of focus. As mentioned, specialist insurance agents typically choose to specialize either in specific industries or lines of business. In some cases, there is overlap, where a line of coverage is also specific to a class of business, as with medical malpractice insurance.

The downside to specialization is that in some geographic areas, there are not as many potential clients. Agents should take a two-step process. First, decide what types of businesses or industries are appealing to you and your interests. Then, determine if there are a sufficient number of them in your market area or territory to make the niche viable.

Here is a word of caution, especially to young producers, with regard to selecting your geographic area. Driving three to four hours to write a large account may seem worth it, but as you grow older, you may not feel the same way. For lifestyle purposes, you may want to develop niches within a two hour or less drive from your home base.

In addition, it is risky and unwise to put too many eggs in one basket. For example, let’s assume you were to exclusively specialize in boat dealers and your entire book of business consists of boat dealers. Then, an insurance company that you don’t represent decides to “buy up” the boat dealer market. You, as it has happened to others, could witness your book of business evaporate quickly. It is best to identify and execute on more than one niche.

Even though it may not be feasible for all agents and agencies to specialize in niches, it is advisable to explore the option. If your demographics allow for specialization, then it is probably the best way to insulate and protect yourself from dramatic disruptions in the marketplace. As Abraham Lincoln said, “The best way to predict your future is to create it.”

---

**IT IS RISKY TO PUT  
TOO MANY EGGS IN  
ONE BASKET. THE  
BEST SPECIALISTS  
IDENTIFY AND  
EXECUTE ON MORE  
THAN ONE NICHE.**

## ABOUT THE AUTHORS

### FRANK PENNACHIO

Frank Pennachio has spent more than 30 years in the insurance industry as an agent and producer, expertise he's leveraged to personally train more than 1,000 insurance professionals. In 2009, he sold his agency and co-founded Oceanus Partners with his partner, Susan Toussaint. Oceanus Partners was acquired by ReSource Pro in 2019, and Frank now serves as Practice Leader, Growth Solutions, helping independent insurance agents and insurance carriers develop risk management expertise and drive new business.

Frank is an expert in the technical elements of workers' compensation, emphasizing the need for agents to understand all aspects of protecting an employers' workforce to provide true value. In addition, Frank is knowledgeable in agency sales and marketing strategies designed specifically to reduce reliance on contingency commissions and increase agency revenues.

Highly regarded as a speaker and thought leader, Frank regularly presents at conferences and publishes articles in outlets as Risk and Insurance, Professional Insurance Agent, WCEC, HR Magazine, and Insurance Journal. When speaking, he hopes to educate, entertain, and provoke his audiences to think in a new way about emerging challenges.

### SUSAN TOUSSAINT

For over a decade, Susan Toussaint has been training, coaching, and developing programs to help insurance professionals overcome barriers to organic growth. In 2006, she started Injury Management Partners, and in 2009 she co-founded Oceanus Partners with her partner, Frank Pennachio. Today, she serves as Vice President of ReSource Pro's Growth Solutions team and is focused on developing products and training that help clients attract, acquire, and retain profitable, right-fit business.

Susan is recognized as a thought leader in the industry and frequently contributes to national publications on topics related to prospecting and selling. She enjoys developing confidence in new producers and creating content that inspires others to think differently.

## FOR MORE INFORMATION

**visit us:** [resourcepro.com](https://resourcepro.com)

**email us:** [susan@resourcepro.com](mailto:susan@resourcepro.com)