CIC | AGENCY MANAGEMENT

L E A R N I N G   G U I D E

THE NATIONAL ALLIANCE
for Insurance Education & Research

Agency Management

Certified Insurance Counselor Program

Agency Management

Commercial Casualty

Commercial Multiline

Commercial Property

Insurance Company Operations

Life and Health

Personal Lines

The National Alliance of Insurance Education & Research

Contents

Appendix.. **247**

A Letter from William J. Hold, President/CEO

We know that choosing the right professional development programs to strengthen your career can be challenging. There are many options for you to choose from; so how can you be sure that your time, efforts, and money are being invested and not wasted?

By partnering with The National Alliance, you can rest assured that you are also making the best educational choice for your career—no matter what step of your learning path you are on.

For the last 50 years, our designations have been regarded throughout the industry as symbols of quality and trust. Our practical insurance and risk management courses are taught by active insurance practitioners, include policies and forms currently used in the field, and guide you through real-world scenarios to give you a deeper understanding of what your clients are facing today. The knowledge and skills you develop in any one of our courses (or designation programs) can be put to use immediately.

You will build long-lasting relationships with your clients and stay ahead of industry trends, emerging risks, and products that are constantly evolving in our dynamic market. You will have access to the industry's latest learning materials and be the first to hear about new courses. With a learning path customized to fit your needs, you will be better equipped to protect your clients.

Have no doubt that your success is our priority. Whether you are new to your career or a seasoned professional, you are about to embark on a wonderful professional development journey. Thank you for choosing The National Alliance for Insurance Education & Research as your guide toward a thriving career.

Let's take the first step.

William J. Hold, M.B.A., CRM, CISR

President/CEO

To the Participant

Welcome to Agency Management, part of the Certified Insurance Counselors designation. The Agency Management Program will provide you with the core knowledge and tools you need in your work as a highly trained insurance counselor.

A Certified Insurance Counselor is recognized as someone knowledgeable in all areas of insurance. As a participant in The National Alliance program of study, it is expected that you will not only gain knowledge that will give you greater success in your work, but that you will be challenged to make integrity, innovation, inspiration, and imagination part of your daily practice.

As experts in their fields, TNA faculty are here to assist you in your efforts to achieve standards of excellence. In this course, you can expect faculty to:

- explain the learning objectives and relate them to best practices in the field.
- answer questions.
- provide opportunities for you to refine and clarify your understanding.
- engage you in the learning process.
- inspire you to achieve excellence.

As a representative of The National Alliance, we take great pleasure in welcoming you to this program and to our organization. We are committed to helping you become a successful Certified Insurance Counselor.

Program Overview

This program overview provides an at-a-glance view of the contents of this Learning Guide. Here you will find section goals as well as specific learning objectives for every section.

Section 1: Strategic Planning

Section Goal

Participants will be introduced to effective planning tools that contribute to an agency's success.

Learning Objectives:

1.1   *The participant will write examples of value, vision, and mission statements that contribute to an agency's culture.*

1.2   *The participant will describe specific structures, profit centers, and insurance company markets required to reach an agency's goals.*

1.3   *The participant will describe five stages of agency growth.*

1.4   *The participant will identify the financial health assessment tools an agency should use to determine its stage of growth.*

1.5   *The participant will outline a plan to assist an agency management change.*

Section 2: Talent Acquisition and Development

Section Goal

Participants will be introduced to the tools necessary to build and manage today's diverse workforce.

Learning Objectives:

2.1   *The participant will use knowledge of needs assessments, budget considerations, space utilization, culture, and workforce diversity to develop a planning strategy for an agency's workforce.*

2.2   *The participant will use knowledge of workforce realities, targeted searches, effective application processes, onboarding, and career paths to summarize a plan for ensuring a good hire.*

2.3   *The participant will describe specific tools used to manage employee development.*

2.4 The participant will apply an understanding of the performance evaluation process to identify performance standards appropriate to a performance evaluation document and to use those standards to describe a management-driven separation process.

Section 3: Client Retention and Acquisition

Section Goal

Participants will use their agencies' value, vision, and mission statements as tools for developing an agency's brand and for supporting the agency's financial growth.

Learning Objectives:

3.1 The participant will identify factors that influence or create an agency brand.

3.2 The participant will define the steps involved in developing a marketing program and identify key factors that influence the program's success.

3.3 The participant will describe three components of a client-retention process designed to capture, improve, and sustain client relationships.

3.4 The participant will explain how to determine whether an account is sufficiently profitable to write.

Section 4: Technology Utilization

Section Goal

Participants will gain the knowledge necessary to select, implement, and use specific tools and technology for the purpose of promoting greater efficiency and effectiveness in all areas of an agency. Equipped with this knowledge, participants will be able to successfully support their changing business environments, build foundations for profitable growth, and foster positive interactions.

Learning Objectives:

4.1 The participant will identify five benefits of technology and five levels of utilization in an agency.

4.2 The participant will describe the steps of the internal needs assessment process used to determine whether an agency should upgrade or convert its technology in order to meet agency goals.

4.3 *The participant will describe the relationship between standards, procedures, and workflows and how they affect efficiency and support an agency's brand.*

4.4 *The participant will define the kinds of information an agency puts into a database and describe how it protects the integrity and security of that database.*

4.5 *The participant will identify the benefits and challenges associated with agency technology tools, including an agency's information management system, downloading processes, and rating systems.*

Section 5: Ethical Responsibility

Section Goal

Participants will be introduced to Insurance Professional Ethics. Professional ethics are defined by regulators as the standards of moral conduct and judgment which guide the behavior of insurance professionals in their fiduciary duties and obligations to:

the industry	and	**the general public**

A full understanding of ethical responsibilities and adherence to their application also minimizes Errors and Omissions claims.

Learning Objectives:

5.1 *The participant will identify the foundations of ethical behavior, steps in making ethical decisions, and the process of establishing a Code of Ethics.*

5.2 *The participant will identify the basis of legal duties that impact an agent, agency, and insurance company and explain the four types of agent authority.*

5.3 *The participant will explain methods to minimize agency Errors and Omissions (E&O) exposure and describe the proper steps to take following an E&O loss.*

How to Use This Learning Guide

The Learning Guide you are using in this course is like all the learning materials published by The National Alliance; it has been written and authenticated by industry experts.

Each section in this learning guide shares the same features.

A title identifies each section.

Section 1: Strategic Planning

Section Goal

The section's primary purpose is summarized in the Section Goal.

Participants will be introduced to effective planning tools that contribute to an agency's success.

Learning Objectives

Section text supports specific Learning Objectives.

Agency Identity

- The participant will write examples of value, vision, and mission statements that contribute to an agency's culture.

Agency Direction

- The participant will describe specific structures, profit centers, and insurance company markets required to reach an agency's goals.

Cash Flow Management

Important terms are boldfaced the first time they are used. The terms also appear in the Glossary of Terms.

An **operating account** monitors day-to-day expenses within an agency, including cash coming in from commissions earned from the trust account and cash going out to pay daily expenses.

A **premium trust account** monitors cash coming in from account receivable and cash going out to pay carrier account current balances and to pay operating account for commissions.

STRENGTHS

WEAKNESSES

SWOT ANALYSIS

OPPORTUNITIES

THREATS

Introduction to Strategic Planning

Strategic planning is a formal process of determining the identity, direction, and action that an agency will undertake.

Planning for a healthy agency is imperative! From the establishment of core principles to the selection of products offered and the management of growth and change, thorough planning creates an agency's action blueprint.

Key questions to consider in the Strategic Planning process:

- Where is the agency now?
- Where does the agency want to be? That is, what are its goals, vision, and mission?
- How will the agency get where it wants to be?
- What resources will it need?

Agency success relies on strategic planning. Planning can only begin when an agency defines its value, vision, and mission. Once those statements are written, they become the living, breathing forces that propel the agency forward. The owner or management team can then use them to drive agency culture, identify agency goals, and make meaningful changes to agency operations.

Critical Factors Affecting Agency Value

A valuable resource to supplement the information provided in the CIC Agency Management curriculum, *The Pulse of Customer Service*

Identifies and prioritizes the essential and controllable factors from the foundation of

The Pulse Customer of Service

A PROFILE of Insurance Industry Customer Service Personnel

Examples describe real-world-style scenarios to enhance your understanding of the concepts presented.

An agency's **vision statement** communicates a clear picture of what an agency is trying to achieve and identifies characteristics that:

- reflect the long-range goals of the agency's stakeholders,
- project the view of what the agency aspires to be, and
- guide the agency's strategic development.

▶ The vision of the Smith Agency is to be a fully employee-owned agency that is recognized as the premier commercial lines agency in the region.

▶ The vision of the Smith Agency is to make our clients more successful by helping them protect their businesses.

▶ The vision of the Smith Agency is to serve the personal and commercial insurance needs of our clients by having a presence in all the counties.

Knowledge Checks help you test your understanding before moving forward.

Knowledge Check

Directions: Write a value statement for a real or imagined insurance agency.

_____

_____

_____

_____

_____

Each section closes with a quiz to help you assess your learning.

Section 5: Self-Quiz

Directions: Choose words from the word bank to fill in the blanks.

agency	ethics	profession
beliefs	guiding principles	right
business ethics	individual	wrong

1. The rules or standards associated with one's moral duties and obligations are called
    _____. They are _____

A Glossary of Terms puts the Learning Guide's special vocabulary in one, easy-to-use location.

Glossary of Terms

actual or express authority   a form of agency authority that is plainly granted, either orally or in writing, by an insurance company

administrative expenses   a category of agency expenses associated with agency management, including rent, utilities, leases, professional services, automation, education, licenses, professional memberships and fees, marketing and advertising, and insurance

agency culture   the system of values, beliefs, and practices that drives and influences what and how things are done within the agency

agency value   used to assess the financial health of an agency based on various criteria

Section 1: Strategic Planning

Section Goal

Participants will be introduced to effective planning tools that contribute to an agency's success.

Learning Objectives:

1.1   *The participant will write examples of value, vision, and mission statements that contribute to an agency's culture.*

1.2   *The participant will describe specific structures, profit centers, and insurance company markets required to reach an agency's goals.*

1.3   *The participant will describe five stages of agency growth.*

1.4   *The participant will identify the financial health assessment tools an agency should use to determine its stage of growth.*

1.5   *The participant will outline a plan to assist an agency management change.*

Introduction to Strategic Planning

Strategic planning is a formal process of determining the identity, direction, and action that an agency will undertake.

Planning for a healthy agency is imperative! From the establishment of core principles to the selection of products offered and the management of growth and change, thorough planning creates an agency's action blueprint.

Key questions to consider in the Strategic Planning process:

- Where is the agency now?
- Where does the agency want to be? That is, what are its goals, vision, and mission?
- How will the agency get where it wants to be?
  — What resources will it need?
  — What obstacles will it need to overcome?

The Effects of Planning

Planning contributes to an agency's success by providing:

- **Operating Efficiencies**

  Planning creates order. Business planning requires the selection and prioritization of an agency's tasks to ensure that all staff understand their roles and responsibilities.

- **Opportunity for Financial Growth, Sales Planning, and Agency Value**

  Planning that includes effective utilization of agency resources can increase agency value.

- **Talent Acquisition and Development**

  The ability to seek, acquire, and develop the right staff for an agency, or establishing the right "fit," lays the foundation for a healthy agency culture.

- **Establishment of an Agency's Brand**

  An agency's brand is its identity within the industry/community.

- **Consistent Communication**

  Communication supports a synergistic environment in which all team members work together to accomplish agency goals.

Agency Identity

Learning Objective:

1.1 *The participant will write examples of value, vision, and mission statements that contribute to an agency's culture.*

Business Structure

A chosen business structure affects an agency's operations, how it pays taxes, and the owner's liability.

Types of Entities

- Sole Proprietor
- General Partnership
- Limited Liability Company
- Subchapter S Corporation
- C Corporation

⚠ Seek advice from an attorney and accountant to determine the best solution for any agency.

How Legal and Tax Liabilities Change Based on Entity Type

The following chart compares legal and tax liabilities among different entities.

Business Entity Comparison Chart					
	Sole Proprietor	**General Partnership**	**Limited Liability Co.**	**Subchapter S Corp**	**C Corp**
Owners' liability for business obligations	Unlimited	Unlimited	Limited	Limited	Limited
Unlimited business duration	No	No	Yes	Yes	Yes
Maximum # of owners	One	Unlimited	Unlimited	100	Unlimited
Owned by	One individual	Two or more individuals	Another business or individuals	Individuals	Another business or individuals
Hold annual meetings?	No	No	No	Yes	Yes
Tax implications	Individual Form 1040, Sched. C	Partnership doesn't pay tax—partners do	Company doesn't pay tax—members do	Corp. doesn't pay tax in most states—shareholders do	Corp. pays tax
Asset sale of agency	Capital gain	Capital gain	Capital gain	Can be capital gain	Double taxation

Planning the Purpose and Direction of an Agency

An agency's value, vision, and mission statements are catalysts for action. They help create an agency's purpose, describe an agency's culture, plan talent development, and define an agency's financial aspirations.

The Value Statement (the What, Why, and How)

A **value statement** summarizes the what, why, and how of an agency. That is, it describes what an agency does, and both why and how it does it. An agency uses its value statement to accomplish several goals:

- communicate the agency's core principles to shape both its direction and its organizational goals
- focus on aspirations and behavioral issues that matter most to the agency's leadership
- define the standards of conduct and expectations for all agency members
- communicate these statements orally and in written and/or electronic form

---

Examples

- ▶ The Smith Agency believes in building a positive team with family spirit.
- ▶ The Smith Agency values helping local businesses succeed.
- ▶ The Smith Agency values providing financial security to its employees.
- ▶ The Smith Agency believes in supporting local charitable organizations.
- ▶ The Smith Agency believes in providing protection and financial security to its customers.

▶▶ Knowledge Check

Directions: Write a value statement for a real or imagined insurance agency.

_____

_____

_____

_____

_____

The Vision Statement (the What)

An agency's **vision statement** communicates a clear picture of what an agency is trying to achieve and identifies characteristics that:

- reflect the long-range goals of the agency's stakeholders,

- project the view of what the agency aspires to be, and

- guide the agency's strategic development.

Examples

▶ The vision of the Smith Agency is to be a fully employee-owned agency that is recognized as the premier commercial lines agency in the region.

▶ The vision of the Smith Agency is to make our clients more successful by helping them protect their businesses.

▶ The vision of the Smith Agency is to serve the personal and commercial insurance needs of our clients by having a presence in all three major cities in our county.

▶▶ Knowledge Check

Directions: Write a vision statement for a real or imagined insurance agency.

_____

_____

_____

_____

_____

_____

The Mission Statement (the Multipurpose Statement)

An agency's **mission statement** serves several purposes. It helps an agency to:

- state its purpose and focus clearly,
- identify how it sees itself in terms of service, income, and profit, and
- establish clear growth goals serving its key stakeholders, clients, and employees.

A mission statement uses terms that plainly indicate how an agency meets its clients' needs. To minimize responses to changes in market conditions, the mission statement also uses generic descriptions of products and services it will use. Finally, it identifies its marketplace in geographical terms.

Examples

▶ The Smith Agency will provide quality personal, commercial, and life/health insurance products to the clients located within our trade area to help them achieve their financial security goals.

▶ The Smith Agency staff will dedicate itself to pursuing insurance knowledge and skills that will benefit our clients by providing them with current, accurate information about insurance products and outstanding responses to their needs and requests.

▶ The Smith Agency will make commercial insurance available to existing clients and targeted prospects, as well as becoming their professional insurance consultant. Our focus will be on providing needed coverages with excellent service at a competitive price.

▶▶ Knowledge Check

Directions: Write a mission statement for a real or imagined insurance agency.

_____

_____

_____

_____

_____

Agency Culture — The "Personality" of the Agency

An agency's self-described value, vision, and mission contribute to building its **agency culture**, or personality. An agency's culture impacts an agency's strategic direction. It influences management decisions and all business functions, and it establishes the rationale for an agency's actions. Agency owners/managers and all staff contribute to and share an agency's culture, or personality.

An agency's personality develops either from the top down or the bottom up. Because of their roles in strategic direction and decision making, agency owners/managers/ leaders have a profound influence on agency culture. They model positive behaviors. However, without a model or positive guiding force from the top, an agency's culture will establish itself organically, that is, from the ground up.

An agency built from the ground up reflects the collective beliefs and practices of the staff. Consequently, the agency culture that develops can be dysfunctional, impeding an agency's success.

Agency culture drives behavior. And once established, it is difficult to change, emphasizing the importance of building a culture that reflects an agency's value, vision, and mission statements. Effective agency owners/managers/ leaders teach and model best business practices, communicate openly with their staffs, and recognize individuals' successes and achievements.
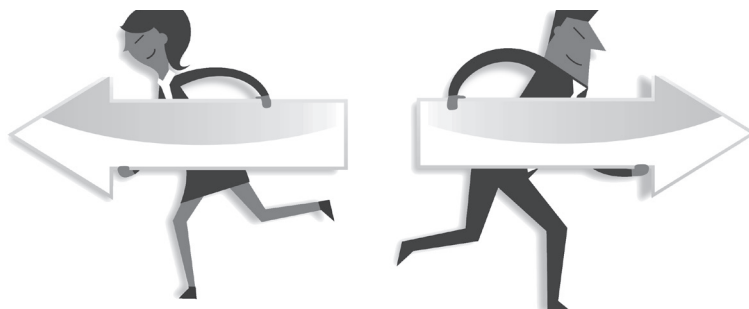
Results of a Healthy Culture

Creating a healthy agency culture begins with building trust, integrity, and respect. A healthy culture increases the likelihood that people will enjoy their work, be committed to each other's success, be active members of cohesive and engaged teams, and implement efficient and effective workflows.

Healthy cultures help increase employee productivity and decrease employee turnover. Together, these results also lead to increased client retention and greater profitability.

Agency Direction

Learning Objective:

1.2 *The participant will describe specific structures, profit centers, and insurance company markets required to reach an agency's goals.*

An Agency's Purpose

To describe an agency's purpose, it is helpful to find the answers to several questions.

- How do value, vision, and mission statements relate to goals?

  Value, vision, and mission statements describe an agency's purpose. They also allow the development of measurable goals. The goals form the basis of an agency's ability to evaluate how well its strategic plans are executed.

- What framework will the agency be organized around?

  Goals are linked to an agency's organizational framework. Within that framework, an agency's structure and resources are used to fulfill goals and drive agency culture.

- What is the agency's orientation?

  Is the agency sales-oriented or service-oriented? Sales-oriented agencies emphasize sales and competition. They may provide as little service as possible to achieve as many sales as possible.

  Service-oriented agencies, on the other hand, emphasize satisfying customers. Some agencies may actually over-service clients.

- Is the agency large or small?

  Larger agencies have more employees, which means more tasks can be distributed. It also means they can offer broader benefits, such as vacation time. Large agencies, however, can be slow to change, while small agencies can respond to change more nimbly.

- Is the agency publicly or privately traded?

  Wall Street or other investors influence the culture of publicly traded agencies. Stock prices and short-term goals are often the focus of such agencies. Hartford, for example, looks for quarter-to-quarter results.

- Privately held agencies are owner operated and tend to focus on long-term results.

- What product does the agency sell?

  An agency uses its goals to determine what products to sell. The products are sold within agency departments, or profit centers, and become the agency's focus.

Profit Centers

Standard Lines P & C Personal Lines only Commercial Lines only Non-standard Auto Life & Health Agency Combination of the above

Insurance Company Markets

An agency determines the number of company relationships it needs to have.

Fewer Versus Many

There is a cost involved in maintaining relationships with insurance companies. An agency must decide how many relationships it can afford to maintain. It must also consider whether it can know all of the markets it is doing business with.

Agency Volume

100% An agency must know how much premium it can promise an insurance company. The sum of those promises cannot exceed 100%.

Mix of Business

An agency must consider how many different companies it needs to write all of its accounts.

Utilization of Existing Company Markets

If an agency does not actively use an insurance company, it should consider ending the contract with that company and transferring business to another company.

Company Volume Requirements

An agency must consider the cost and ease of doing business with multiple insurance companies.

- **Financial Stability**

    An agency can use a variety of information to evaluate a company's financial stability:

Rating Services	NAIC
Reinsurance	Investments
Claims-paying ability	Agency E&O coverage

- **Personnel**

  An agency must also evaluate an insurance company's competence. That is, it must know whether the insurance company hires quality, knowledgeable, and efficient staff. If not, this can cost the agency in terms of time and client retention.

  Where is the company located? Having face-to-face visits with an insurance company allows for better interaction and quicker resolution of issues.

- **Products**

  In its evaluation of a company's products, an agency, should ask:

  — What is the product's value?

  > Are the product's coverage and price competitive?

  — How stable is the company, and how long has it been in the market? Having to roll a book of business can be inefficient and expensive.

  — Is the company in and out of the market?

  > Consistent market participation results in greater agency confidence and controls long-term costs.

  > What is the company's history of change?

  — Commission and compensation

  > Are multi-level incentive agreements available?

  — What profit sharing/contingency agreements exist?

  — What policy forms does the company use?

  > ISO filings

  > Independent filings

- **Company Support**

  The kind and quality of support a company can offer an agency are also considerations.

  — Marketing, Advertising, and Other Support

  > Participation in co-op advertising allows an agency to reach more customers than its marketing budget might otherwise allow. Does the insurance company provide agencies with leads and/or target marketing lists?

  — Advisory Councils

  > Is the carrier responsive to its agents' needs?

— Specialty Programs

> If an agency can attract a niche market, is the insurance company willing to design a policy with all the necessary bells and whistles?

— Efficient and Effective Technology

> An insurance company with upload/download capability is more efficient to work with and more profitable for an agency. What is the company's claims philosophy?

Company Expectations of an Agency

What does a company expect of an agency?

A company has its own selection factors when appointing an agency. Competent agency management is one of the factors a company considers.

An agency should analyze its own operations when considering potential relationships with insurance companies. Self-assessments should ask:

- How effectively and efficiently does the agency manage its own operations?
- What is the agency's track record of business success? The answer to this question can be found through a series of further questions:
  - Is the agency achieving the premium level needed and desired by the insurance company? Track the agency's flow rate, quotes, wins, and reasons for declination.
  - Does the agency submit complete and honest submissions?
  - Does the agency have high closing ratios? An agency should not submit to insurance companies that won't quote the business.
  - Does the agency have an identifiable sales culture? Is the focus on making producers successful?
  - Does the agency have assertive, successful producers? Such producers result in more premium for the insurance company.
  - Does the agency have successful prospecting and contact management programs? These programs are necessary for new business.
- Does the agency have good accounting practices? Insurance companies want to be paid on a timely basis.
- What is the agency's plan for growth? An insurance company won't grow its premium if the agency doesn't grow.

- What is the quality of the agency's professional service staff? Account retention is critical.

- Does the agency's marketing plan dovetail with the carrier's marketing plan?

- What technology does the agency use, and how does it use it? The more automated an agency is, the more profitable an agency will be for an insurance company.

Agency-Company Contracts

There is an example of an Agency Agreement in the Exhibits section of this section. An Agency-Company Contract (Agreement) has several elements:

Commission schedule	Some insurance companies offer higher levels of commission for higher performing agencies.
Ownership of business	Typically, an agency owns the business. Exclusive agencies such as Allstate and State Farm are exceptions, as an insurance company owns that business.
Contingency/Profit sharing	Compare contracts between companies.
Agency authority	With the agency properly licensed, it can bind and execute coverage.
Contract termination terms	The insurance company identifies the limitations of an agreement, meaning the kinds of actions that can lead to termination and whether rehabilitation is an option.
Agency and direct bill responsibility	The agency agrees to submit all applications promptly and remit initial premium in gross.
Collection of premiums	Accounts of money shall be handled in accordance with the designated accounting method in agreement.
Notice of contract changes	Contracts are non-assignable. If a contracting agency is sold, the new owner must request a new contract.

▶▶ Knowledge Check

Describe specific factors you consider and evaluate when choosing an insurance company to work with your agency.

_____

_____

_____

_____

_____

_____

Agency Health

Learning Objectives:

The participant will:

1.3   *describe five stages of agency growth.*

1.4   *identify the financial health assessment tools an agency should use to determine its stage of growth.*

An Agency's Growth Stages

Agencies progress through stages of growth. As they grow, they confront unique challenges that affect the ways they function as organizations.

Start-up

Initially, an agency may exist in a fragile state, struggling to survive. The owner or management team handles everything, and because the agency is only beginning to establish its client base, production and service are unstable.

Development & Growth

In its *Development-and-Growth* stage, an agency sees increased numbers of clients/accounts and makes efforts to balance revenue and expenses. The owner or management team remains involved in daily operations but is also assessing staffing needs, recognizing the need to delegate if the agency is to grow. Growth also demands that the agency be creative and moving in a specific direction.

Success

In the *Success* stage, an agency is profitable and follows well-executed procedures. The team owner or management may delegate some sales and service activities, may modify plans and strategies, may become more interested in acquisitions and merger issues, and may create a leadership team. The agency may choose to become either service or sales oriented.

An agency can be in the Success stage in one department but in the Development & Growth stage in another, such as a sales service that is expanding. Awareness of these differences helps an agency allocate resources appropriately.

Expansion

In the *Expansion* stage, an agency grows rapidly and targets new marketing territories. Continued growth depends on careful coordination as staffing requirements expand.

Maturity

In its maturity, an agency is fully developed and uses sophisticated systems. There is an emphasis on collaboration and building professional integrity, and the owner or management team focuses on strategic goals, planning, human resource development, and support systems.

An Agency's Financial Health

Running a profitable agency includes understanding its **financial model,** or how revenue is allocated to various expense items. Everyone associated with an agency benefits from positive financial health, including:

Agency Owners

The agency is probably the largest asset on an owner's personal financial statement. A profitable agency benefits the owner. Maximizing agency value is key when the owner eventually perpetuates the agency.

Producers

Non-owner producers may have a desire to obtain agency ownership in the future.

Staff

A profitably run agency allows for higher salaries, bigger salary increases, and greater job security.

Insurance Companies

An agency is a marketing arm of an insurance company. Therefore, a strong agency must be financially stable.

Assessing an Agency's Value

To determine its financial health, an agency must evaluate its value. **Agency value** is based on the following factors:

Profitability

How much money has the agency historically been able to generate after all expenses are paid? Is historical profit an accurate predictor of the future?

Accounts Receivable

Is the agency able to collect payments in a timely manner to protect cash flow?

Retention Ratio

What is the agency's retention ratio? The retention ratio can be defined in terms of commission, premium, policy, and client.

Average Commissions

Producer Compensation Structure

Does the agency, the producer, or both own the book of business?

Competencies of Personnel

Company Markets

Do the agency's markets have a competitive advantage? Does the agency have the type of business it wants to write?

Brand

Does the agency have a positive or negative image in the community? Does it have recognition beyond a blog or website?

Errors and Omissions Experience

Tools to Measure Agency Financial Health

An agency can use its budget and income statement as tools for measuring its financial health.

Budget

An agency's **budget** allows an owner or management team to compare monthly results to projected results. A budget eliminates subjective guessing.

An agency's history and current needs should be applied to setting reasonable limits. The budget should reflect an agency's cash flow and immediate profit needs. It should be communicated across divisions and constantly monitored.

Income Statement

An **income statement** is sometimes referred to as a P & L statement (profit and loss). It shows an agency's revenues and expenses over a period of time and can depict activity over a month, quarter, or year. The statement itemizes revenues and expenses that lead to current profit or loss.

The following diagram shows four income sources for an agency

The following exhibit models a budget and income statement.

Income Statement					
		12-month trailing			**Budget**
		12/31/22	**% of total**		**2022–2023**
Commissions					8%
SCIC Agency	Personal lines	580,000	25.6%		626,400
	Commercial lines	1,200,000	53.0%		1,500,000
	Life & Benefits	350,000	15.5%		378,000
Fees		40,000	1.8%		43,200
Profit Sharing		92,500	4.1%		99,900
		2,262,500	100.0%		2,443,500
					–
Compensation Expense					–
	Owner & executive	240,000	10.6%		259,200
	CL sales commission	175,000	7.7%		240,000
	CL service & support	395,400	17.5%		460,000
	PL Sales bonus & comm	32,400	1.4%		34,992
	PL Service & Support	220,000	9.7%		237,600
	Admin/office	135,200	6.0%		146,016
	Health insurance	92,500	4.1%		99,900
	Payroll tax	107,000	4.7%		115,560
	Profit sharing and benefits	22,510	1.0%		28,000
		1,420,010	62.8%		1,533,611
Administrative expense					
	Licenses and taxes	29,000	1.3%		31,320
	Printing/office supplies	20,000	0.9%		18,500
Operating expenses					
	Rent	50,400	2.2%		52,416
	Marketing	82,000	3.6%		65,000
	Education and training	72,000	3.2%		72,000
	Advertising	54,000	2.4%		56,160
	Phone & internet	72,000	3.2%		74,880
	Community & charitable	9,000	0.4%		9,360
	Software fees	26,400	1.2%		27,456
	IT support	9,600	0.4%		9,984
	Equipment (maintenance and rent)	10,500	0.5%		10,920
	Legal & Accounting	4,800	0.2%		2,500
	Miscellaneous Other	512,450	22.6%		500,000
Administrative & Operating Total		952,150	42.1%		880,676
Total Expenses		2,372,160			2,414,287
Profit		(109,660)			29,213

Agency Expense Categories

There are several categories of expenses an agency can expect to incur. Some examples are:

Compensation Expenses

Compensation expenses form the largest expense category. They include:

- **Executive (Owner) Compensation**

  Executives (owners) should be paid for the commissions they handle, their management responsibilities, and the agency's profitability.

- **Sales Salaries and Commissions**

  Should producers receive:

  — salaries?

  — draws against commission?

  — straight commission?

  — a combination of the above?

- **Staff Salaries**

  As a percent of revenue, salaries can be compared directly between agencies to determine productivity.

- **Employee Benefits**

  Benefits can range between 7% and 15% of compensation.

- **Payroll Taxes**

- **Pension and Profit Sharing**

Selling Expenses

Expenses in this category include:

- **Travel and Entertainment**

  This can be an area of abuse. Deductions are limited for tax purposes.

- **Advertising and Promotion**

- **Automobile**

Administrative Expenses

Common to any business, administrative expenses are indications of agency management, cost control, and effectiveness. Those expenses include:

- Rent, utilities, leases, and postage
- Accounting, legal, and other professional services
- Automation and data processing
- Education, licenses, memberships, and professional fees
- Marketing/advertising
- Insurance
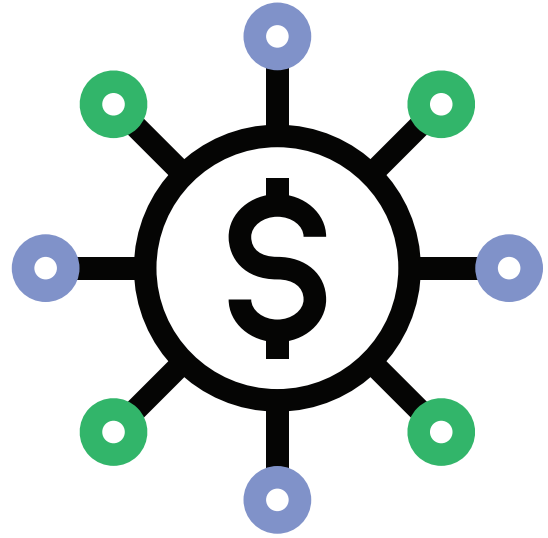
Management Expenses

Managing expenses requires a number of steps:

1. Conduct a situational analysis.
   - Review historical financial statements.
   - Analyze trends in expense growth.
   - Classify expenses:
     — Fixed — unlikely to change with increased revenue
     — Variable — will go up as revenues increase
   - Identify areas to reduce costs.

2. Set targets for future short- and long-term expenses.
   - Overall expense growth should be less than revenue growth.
   - Try to maintain low expenses without interfering with growth.
   - Recognize on/off opportunities for future investments.

3. Establish a budget.
   - Set reasonable limits based on the agency's history and current needs.
   - Reflect the agency's cash flow and immediate needs for profit.
   - Share the budget with all divisions and monitor constantly.

An Example of an SCIC Agency Income Statement

Income Statement					
	For the year ending December 31, 2022				
	12/31/22	**% of total**	**$ chg**	**12/31/21**	**% of total**
Revenues:					
Commissions					
SCIC Agency — Personal Lines	580,000	25.6%	50,000	530,000	18.40%
SCIC Agency — Commercial Lines	1,200,000	53.0%	(900,000)	2,100,000	72.92%
SCIC Agency — Life & Benefits	350,000	15.5%	285,000	65,000	2.26%
Fees	40,000	1.8%	(20,000)	60,000	2.08%
Profit Sharing	92,500	4.1%	(32,500)	125,000	4.34%
TOTAL REVENUES	2,262,500	100.0%	(617,500)	2,880,000	100.00%
Expenses:					
Compensation Expense					
Owner & Executive	240,000	10.6%	(30,000)	270,000	9.4%
CL Sales Commission	175,000	7.7%	(110,410)	285,410	9.9%
CL Service & Support	395,400	17.5%	(219,852)	615,252	21.4%
PL Sales Bonus & Comm	32,400	1.4%	900	31,500	1.1%
PL Service & Support	220,000	9.7%	4,960	215,040	7.5%
Administrative/Office	135,200	6.0%	(63,050)	198,250	6.9%
Health Insurance	92,500	4.1%	(9,500)	102,000	3.5%
Payroll Tax	107,000	4.7%	(2,500)	109,500	3.8%
Profit Sharing & Benefits	22,510	1.0%	(15,492)	38,002	1.3%
	1,420,010	62.8%	(444,944)	1,864,954	64.8%
Administrative Expense					
Licenses & Taxes	29,000	1.3%	800	28,200	1.0%
Printing/Office Supplies	20,000	0.9%	(53,000)	73,000	2.5%

Income Statement					
For the year ending December 31, 2022					
	12/31/22	**% of total**	**$ chg**	**12/31/21**	**% of total**
Operating Expenses					
Rent	50,400	2.2%	2,400	48,000	1.7%
Marketing	82,000	3.6%	50,000	32,000	1.1%
Education & Training	72,000	3.2%	48,000	24,000	0.8%
Advertising	54,000	2.4%	23,760	30,240	1.1%
Phone & Internet	72,000	3.2%	(2,400)	74,400	2.6%
Community & Charitable	9,000	0.4%	(21,000)	30,000	1.0%
Software Fees	26,400	1.2%	(1,200)	27,600	1.0%
IT Support	9,600	0.4%	600	9,000	0.3%
Equipment (Maintenance & Rent)	10,500	0.5%	–	10,500	0.4%
Legal & Accounting	4,800	0.2%	(13,600)	18,400	0.6%
Miscellaneous Other	512,450	22.6%	(48,800)	561,250	19.5%
Administrative & Operating Total	952,150	42.1%		966,590	33.6%
Total Expenses	**2,372,160**			**2,831,544**	
Profit	(109,660)			48,456	

The Balance Sheet

A **balance sheet** shows a detailed listing of what an agency owns (assets) and owes (liabilities) and capital at a specific point in time, giving an indication of the agency's financial condition. Assets must equal the sum of liabilities and owners' equity, as in the following equation:

Assets = Liabilities + Owners' Equity

Assets are what an agency owns and what is owed to the agency by others.

- **Current assets** include cash, accounts receivables, marketable securities, prepaid expenses, and any other assets that will be converted to cash within the next 12 months.
- **Long-term/Fixed assets** include tangible items, such as cars, desks, and office equipment.
- Other assets include notes receivable, cash value of life insurance, and goodwill.

Liabilities are what an agency owes to others.

- **Current liabilities** include accounts payables, accounts current, payroll taxes, and notes payables within the next twelve months.
- **Long-term liabilities** are payments due more than twelve months into the future.

Owners' (Shareholders') equity includes original start-up capital and earnings retained by the business. In other words,

Assets – Liabilities = Owners' Equity, or Net Worth

The following model of a balance sheet includes assets and liabilities.

Balance Sheet SCIC Agency						
		12/31/22	change	12/31/21	change	12/31/20
Assets						
Current Assets						
Central Bank	Checking	50,000	(12,500)	62,500	14,000	48,500
South Ridge Bank	Money Funds	250,000	(110,000)	360,000	35,000	325,000
Customer Accounts Receivable		47,000	(38,000)	85,000	6,500	78,500
Fixed Assets						
Furniture and Fixtures		280,150	14,700	265,450	19,798	245,652
F&F depreciation		275,150	19,700	255,450	19,950	235,500
Other Assets						
Goodwill—Smith Agency		300,000	—	300,000	—	300,000
Amortization—Goodwill		(250,000)	(50,000)	(200,000)	(50,000)	(150,000)
Total Assets		952,300	(176,100)	1,128,400		1,083,152
Liabilities						
Current Liabilities						
Company Payables		41,050	(32,450)	73,500	4,980	68,520
Notes Payable		50,250	(15,600)	65,850	(12,612)	78,462
Commissions Payable		12,500	(13,000)	25,500	3,050	22,450
Long Term Liabilities						
Betty Smith Agency		50,000	(50,000)	100,000	(50,000)	150,000
Total Liabilities		153,800	(111,050)	264,850	(54,582)	319,432

Balance Sheet SCIC Agency					
	12/31/22	**change**	**12/31/21**	**change**	**12/31/20**
Owners Equity					
Current Year Earnings	(109,660)		48,456		70,172
Stock	100,000		100,000		100,000
Retained earnings	808,160		715,094		593,548
	798,500		863,550		763,720
Assets—Liabilities (cross-check)	798,500		863,550		763,720

Liquidity Ratios

A **ratio** is a comparison of two values, such as assets and liabilities. A **liquidity ratio** helps measure an agency's ability to pay its obligations. Below are two examples of liquidity ratios.

$$\text{Trust Ratio} = \frac{\text{Cash + Premiums Receivable}}{\text{Premium Payable}}$$

$$\textit{Example:} \quad \frac{\$200{,}000 + \$100{,}000}{\$250{,}000} = 1.2$$

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$\textit{Example:} \quad \frac{\$600{,}000}{\$450{,}000} = 1.3$$

To strengthen or improve liquidity ratios, an agency:

- tracks receivables,
- manages debt obligations carefully,
- keeps investments as liquid as possible, and
- avoids taking out more profit in dividends than the agency can handle.

Cash Flow Management

An **operating account** monitors day-to-day expenses within an agency, including cash coming in from commissions earned from the trust account and cash going out to pay daily expenses.

A **premium trust account** monitors cash coming in from accounts receivable and cash going out to pay carrier account current balances and to pay operating account for commissions.

Cash Flow Management	
Deposits	**Checks/Transfers**
Operating Account	
Commission checks from trust account	Compensation expenses
Direct bill commission	Business development expenses
Miscellaneous income	Operating expenses
Premium Trust Account	
Premiums	Company premiums payable
	Commissions

Knowledge Check

Identify the financial health assessment tools an agency should use to determine its stage of growth.

_____

_____

_____

_____

_____

_____

Agency Action

Learning Objective:

1.5   The participant will outline a plan to assist an agency management change.

Change Management

An agency is constantly responding to **disruptors**, events that trigger a need for change. Common disruptors within an agency trigger include:

Mergers and acquisitions

Change in personnel, such as loss of key personnel

Creation of new profit centers

Restructuring and/or expanding

Loss of a significant account

Loss of an insurance company contract with no market replacement

Technology changes

Planning for Change

The word *disruptors* typically has a negative connotation. However, business disruptors may also have positive impacts. Disruptors of both kinds trigger a need for planning and managing change. But for any change to be successful, implementation should only follow a thorough process of planning and analysis.

Plan

Build

Communicate

Implement

Evaluate, Adjust, Maintain

Committed leadership and all involved employees
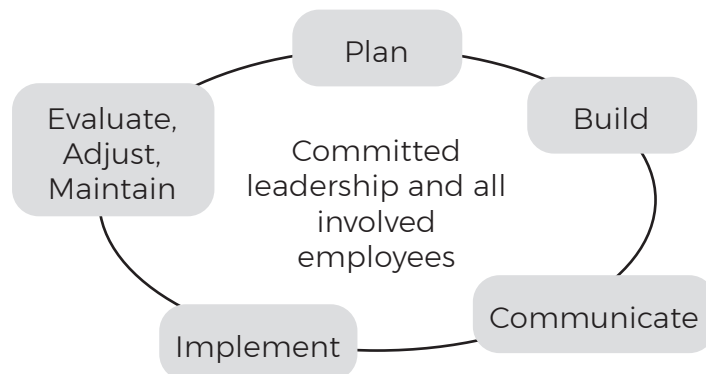
Managing Change — Validate the Need

Before implementing any change, it is important to determine if the change is even necessary. That requires a SWOT analysis.

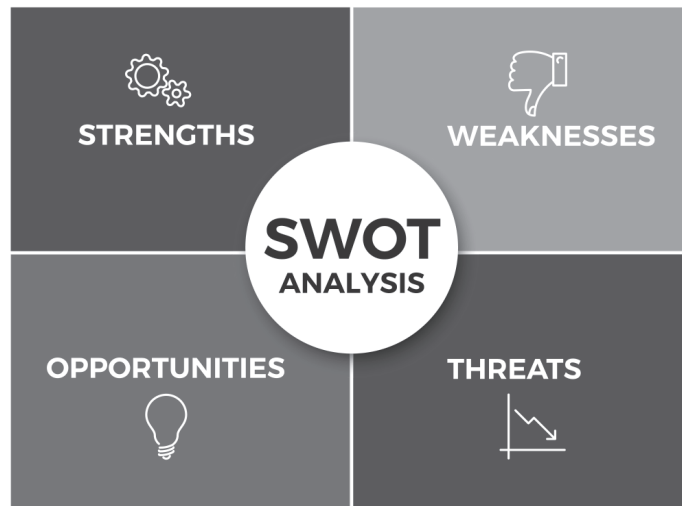A **SWOT analysis** is a useful tool for evaluating an organization's strengths, weaknesses, opportunities, and external and internal threats. The tool can be used across an agency or within a department, creating opportunities for positive change in an agency's goals.

The Four Elements of a SWOT Analysis

1. Identify the agency's strengths.

   Identify what the agency does well and use this information to facilitate improvement. Look for examples of:
   - unique resources and assets the agency currently has, and
   - areas in which the agency outperforms its competitors.

2. Identify the agency's weaknesses.

   Identify areas in need of improvement and necessary resources. Look for examples of:
   - areas in which the agency lags behind its competitors,
   - opportunities the agency has missed because it didn't have the right resources,
   - reasons the agency has lost business, and
   - what has caused the agency to fail to meet goals in the past.

3. Recognize the agency's opportunities.

   Weaknesses often become opportunities. Identify resources the agency could add and new products and services it could offer. Look for examples of:

   - what upgrade or new technology/software could benefit the agency,
   - what areas in the agency's market are experiencing growth,
   - what knowledge and abilities new employees could add that the agency doesn't currently have, and
   - what products/services are in demand that the agency could begin to offer.

4. Be aware of threats to the agency.

   Identify potential negative impacts for which the agency needs to prepare. Look for examples of:

   - potential regulation that could affect the agency's business,
   - competition that could potentially take clients or employees from the agency, and
   - a change in a specific insurance company's appetite that significantly impacts the agency.

Questions to Guide the SWOT Analysis

An agency should allow important questions to guide its SWOT analysis:

- What areas of the agency are the most crucial to the overall goals?
- What areas most need to be improved?
- What resources and assets can be better utilized to make improvements?
- What does the agency need to do to protect against future threats and risk?

Establish a Clear Direction of Change

Once an agency has completed its SWOT analysis, it can use the information it has collected to:

- develop goals, and
- build an action plan for each goal.

At this point, more thinking remains to be done. An agency must conduct a situational analysis at multiple levels and across divisions and departments. A situational analysis will:

- drive the planning process.
- require staff involvement.
- identify and communicate how an agency is performing relative to its goals.
- identify current areas of excellence.
- identify areas currently in need of improvement that will contribute to goal-setting.

Factors Considered in a Situational Analysis

In a **situational analysis**, an agency must consider both the external and internal factors that will help determine its goals and subsequent action plans. Some of those factors appear in the following table:

External Factors	Internal Factors
Competition	Productivity
Regulatory environment	Financials
Economic trends	Accounts/clients
Market conditions	Company analysis/markets/ marketing
Consumer purchasing trends	Sales and support
Target market analysis	Agency personnel
	Planning/management/ organization
	Agency operations/systems/ workflow

Goals are the concrete aim of an organization. They are the end results or achievements toward which all efforts are directed, and they are measurable.

Well-defined goals have five SMART characteristics:

Specific
A specific goal describes an observable action or result precisely.

Measurable
An evaluation system must be in place to measure a goal's effectiveness. For example, an agency with a specific retention goal could measure retention rates from previous years and compare them to quarterly retention rates since the goal's implementation.

Attainable
Attainable goals require employee support. Goals must be reasonable and reachable.

Realistic
Goals must be practical, given the demands on employees' time and the resources they require to implement a goal.

Timely
Goals have beginning and ending dates. Managing some long-range goals, however, can be tricky. If they reach across broad spans of time, it is often more practical to establish attainable dates for a goal's incremental parts.

Knowledge Check

Write an example of a SMART goal.

_____

_____

_____

_____

_____

_____

Setting Goals

An agency's goals plot the agency's direction. They create synergy among employees and provide a sense of purpose.

Goals also serve as points of orientation for a planning process. They should reflect the questions asked at the beginning of the process.

There are several considerations that contribute to establishing an agency's goals:

- target market niches
- agency personnel and productivity
- market territory
- multiple locations
- marketing and sales
- agency operations systems and workflows
- financial management
- client services

To set goals, an agency should look for best practices to implement based upon findings from situational analyses in the agency planning process. It should also brainstorm and evaluate potential solutions, and ask whether solutions are relevant to the agency and fit the agency's resources.

The planning of goals is accomplished in two stages: long-range and short-range.

Long-range Planning:

- occurs over three to five years;
- establishes purpose, continuity, and direction;
- focuses on broad goals that will remain relevant years later; and
- provides a broad picture of where an agency is headed.

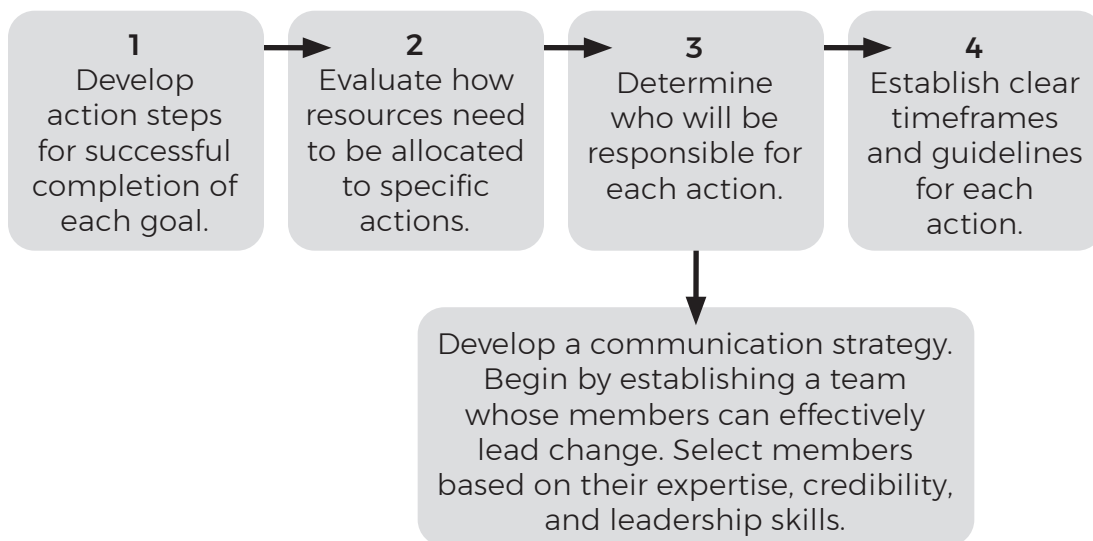**Short-range Planning:**

- usually extends over a 12-month period;
- is more specific than long-range planning and provides details that fit within the framework of the long-term plan; and
- involves the production of detailed action plans that organize and prioritize action steps, communicate roles and responsibilities, offer guidelines, and provide an agency's daily/weekly/monthly action agendas.

One Goal, One Action Plan

The more time agency staff spend planning, the more likely they will achieve their goals. Each goal requires its own action plan. Before creating an action plan, an agency should:

- Try to predict potential problems.
- Imagine solutions for those problems.
- Consider the impact on agency staff and culture.
- Recognize capacity limitations, such as time and workloads.

Once an agency has thought through the implications, it can create and implement an action plan, one goal at a time.

1	2	3	4
Develop action steps for successful completion of each goal.	Evaluate how resources need to be allocated to specific actions.	Determine who will be responsible for each action.	Establish clear timeframes and guidelines for each action.

Develop a communication strategy. Begin by establishing a team whose members can effectively lead change. Select members based on their expertise, credibility, and leadership skills.

You may want to use the following template of an Action Plan for each goal your agency sets for itself. The template is followed by an example of an Action Plan created for an agency whose owner wants to decrease account receivables.

An Action Plan Template

Goals:

1. _____

2. _____

Responsible Person(s):

Action Steps	Responsible Person/Group	Beginning Date	Ending Date
1.			
2.			
3.			
4.			
5.			

Required Resources: _____

_____

_____

_____

_____

Approved by: _____

An Action Plan Example

Goal:

Decrease account receivables over 60 days old to 7% and account receivables over 90 days old to 10%.

Responsible Person(s): Owner

Action Steps	Responsible Person/Group	Beginning Date	Ending Date
1. Establish an agency- wide collection policy for both personal and commercial lines accounts which minimizes both the amount and age of receivables.	Owner	01/2023	ongoing
2. Communicate and implement the policy.	Owner/ Manager	01/2023	01/2023
3. Notify agency bill clients of the policy change.	Owner	after Step 2 is completed	within 30 days
4. Producers and/or account managers contact late-paying accounts to collect or terminate.	Sales/Service Team	02/2023	02/2023
5. Monitor and evaluate progress and make necessary adjustments.	Owner/ Manager	Monthly	ongoing

Required Resources: none needed

Approved by:

Once the Action Plan for a goal is written, it is time to communicate the plan.

1. Have honest and transparent conversations about the need for change, while understanding the resistance to change.

2. Present the case for change. Elicit "buy in" from all members of the agency.

3. Don't ignore negatives. Instead, address them head-on.

4. Create a sense of urgency.

5. If possible, provide documentation as quick reference guides.

6. Allow for feedback. Generate well-documented formal reports that address the issues.

Once an Action Plan has been well communicated, implement the plan for achieving a goal.

1. Establish a timeline for reviewing progress.

2. Put the plan in motion. Turn strategies and plans into concrete actions.

3. Align processes, workflows, and procedures to support the actions.

4. Seek feedback and discuss issues as opportunities to improve.

5. Engage in creative problem solving to eliminate roadblocks.

6. Ensure that Action Plans are constantly communicated and monitored.

7. Acknowledge successes.

Once an Action Plan is underway, evaluate its success.

Reaching a goal associated with an Action Plan requires constant evaluation to know when to simply maintain the plan and when to adjust it.

1. Be willing to change course at any time, if necessary.

2. Promote the continued existence of a healthy culture.

3. Seek a real positive in every step (including when issues are presented).

4. Constantly monitor, evaluate, and adjust.

   Regularly review results and the agency's progress toward goals. Collect information weekly, monthly, and/or quarterly, depending upon the agency's needs.

   Make necessary adjustments to the plan if circumstances change, or if the original goals are no longer relevant.

5. Like all parts of the agency plan, communicate the review process regularly to the entire agency.
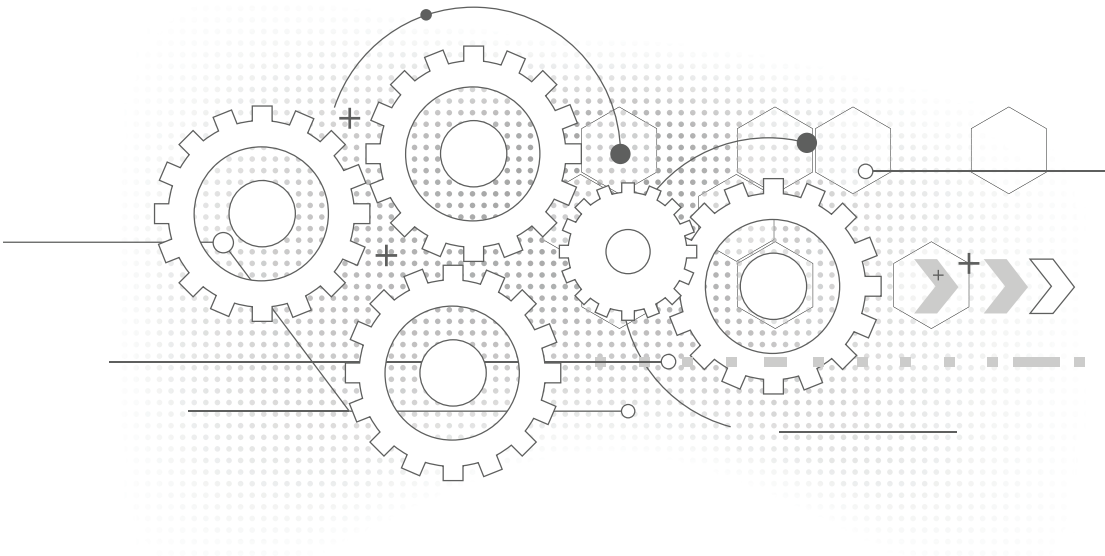
The Steps of an Action Plan

Build it.

Communicate it.

Implement it.

Evaluate it.

Summary

Agency success relies on strategic planning. Planning can only begin when an agency defines its value, vision, and mission. Once those statements are written, they become the living, breathing forces that propel the agency forward. The owner or management team can then use them to drive agency culture, identify agency goals, and make meaningful changes to agency operations.

Critical Factors Affecting Agency Value

A valuable resource to supplement the information provided in the CIC Agency Management curriculum, *The Pulse of Customer Service*

Identifies and prioritizes the essential and controllable factors that form the foundation of value for an independent insurance agency.

Visit the bookstore: TheNationalAllianceBooks.com

Resources

A Study Guide for this course is available for download at *scic.com/AMresources*.

Exhibits

Exhibit A: Agency Agreement

Agency Agreement

☐   The Super Preferred Company

☐   The Preferred Company

☐   The Standard Company

Each of the companies designated above by the mark "X" opposite its names is a party to this Agreement and is hereafter severally referred to as "we", "us" or "our(s)."

_____

NAME OF AGENT

_____

ADDRESS OF AGENT

Is a party to this Agreement and is hereafter called "you," or "your(s)."

We agree with you as follows:

I.   Your Authority

We grant you the following authority:

A.   To operate in the jurisdictions where you are properly licensed with respect to the classes of risks specified in any Schedule or Addendum attached to this Agreement. You shall not, however, have the exclusive right to act on our behalf in such jurisdictions.

B.   To solicit, receive and transmit to us proposals for those insurance contracts, including fidelity and surety bonds, for which a rate of commission is specified in any Schedule or Addendum attached to this Agreement. You agree not to alter, modify, waive or change any of the provisions or conditions of our insurance contracts, bonds, rates, rating rules or rating plans.

C.   To bind, execute and issue the kinds of insurance contracts and bonds to which this Agreement applies, excluding surety bonds, but only as specifically authorized from time to time by us in writing.

D.   To countersign insurance contracts, bonds, certificates and endorsements pertaining to such classes of risks written under this Agreement, it is used in the state of your residence.

E.   To cancel any insurance contract or cancelable bond placed by you with us, and at your request we will:

1.   cancel any such insurance contract or cancelable bond, and

2.   decline to renew any insurance contract or bond and, upon your request, we will give advance written notice of non-renewal to the policyholder or obligor.

Nothing in this Agreement shall interfere with our right to cancel or non-renew any contract of insurance or cancelable bond issued by or through you.

The rights and obligations contained in this Paragraph E with respect to cancellation and non-renewal of insurance contracts and bonds are subject to requirements imposed by law and must be in compliance with any applicable provisions contained within the insurance contracts or bonds.

F. To collect and receipt for premiums on insurance contracts and bonds except as applies to Section II. You assume full responsibility for and agree to pay to us all premiums, whether advance, deposit, developed, audited, additional, renewal or otherwise, whether or not collected by you, and whether such premiums are obtained from business produced by you or through you by brokers or other producers, subject to General Provisions VI., A.

G. To retain out of premiums collected by you on business placed with us, or with respect to direct billed policies on premiums collected by us, you will receive from us as full compensation for business so placed commissions at rates specified in the applicable Schedule or Addendum attached to this Agreement. Every commission rate specified in any such Schedule or Addendum shall remain in effect for a period of at least one year. The commission rates may be changed by us only after we give you at least ninety (90) days advance notice of any proposed changes and the effective date. The changes shall be effective on the date specified in the notice without further action being required by you or us. Whenever premium is returned to any policyholder or obligor, you agree to refund commission to such policyholder or obligor at the same rate at which commissions were originally retained. If we have made any such payments on your behalf, you agree to refund such commissions to us.

You shall pay all countersigning commissions required to be paid and shall pay all commissions due and payable to brokers or other producers. If we make these payments, you will reimburse us.

H. Your authority is subject to the requirements imposed by law, this Agreement, and our underwriting rules and regulations. You agree with us that you are an independent contractor and are not our employee and are not entitled to any benefits available to our employees.

II. Direct Billed Policies

For Standard (Non-Assigned Risk) Business placed by you with us which is designated by us as direct billed, you and we agree to the following:

A. You shall submit all applications promptly to us and shall collect and remit to us with each application, the initial premium in gross (without deduction of commissions) which is mutually agreed upon by you and us.

B. We will send to the policyholder timely notices of cancellation and non-renewal and changes made in the policyholder's policy as a result of changes in statutes, coverages, or forms. We will outline to the policyholder any options available as a result of changes in statutes, coverages or forms.

C. Insurance contracts, amendments, premium notices, cancellation and non-renewal notices transmitted to policy-holders by us shall identify you by name.

D.   We will make every reasonable effort to mail promptly to you a copy of all insurance contracts, amendments, cancellation notices, renewals, non-renewal notices and a listing of delinquent payment notices mailed directly to the Insured.

E.   We will not use, or permit the use of the records of direct billed business placed by you with us to solicit other or additional lines of insurance products from policyholders, unless authorized by you in writing, except that we may solicit other or additional lines of insurance products, without your prior written authorization if such solicitation is made by us in your behalf.

F.   At any time upon your written request and at your expense, or at our expense in the event of termination of this Agreement, we will within 60 days to 90 days provide you with a complete list of your in force direct bill accounts, including expiration dates.

III.   Accounting for Money

Accounts of money (including all additional and return premiums resulting from audits or otherwise) due us on business placed by you shall be handled in accordance with the accounting method designated in the Accounting Schedule attached to this Agreement.

IV.   New Agent Designation

A.   If you are designated as a new producer of record of an existing policyholder, you agree to the following:

1.   You must submit to us a written producer of record designation signed by the policyholder naming you as producer of record.

2.   You will service the insurance contract or contracts after the effective date of the designation.

3.   All commissions on premium earned will be payable to the prior producer until:

a.   termination of the insurance contract or contracts, whether by expiration or cancellation, or

b.   the next subsequent anniversary date of the insurance contract or contracts, whichever occurs first.

"Anniversary date," wherever used in this Agreement, shall mean twelve months after inception date of the policy and the end of any twelve months thereafter.

4.   You will collect all premiums due us, except those collected by us directly.

B.   Upon a policyholder's signed statement to us designating another producer as his producer of record on business of which you have previously been producer of record, we agree with you as follows:

1.   We will notify you of its receipt and allow you 10 business days from the date of our notice within which to confirm the policyholder's intention to designate the other producer. Unless we receive signed instructions from the policyholder revoking the new producer of record designation during the 10-day period, or sooner if you agree to the substitution, such designation shall be binding upon you and us.

2. You are entitled to commissions on premium earned until:

   a. termination of the insurance contract or contracts, whether by expiration or cancellation, or

   b. the next subsequent anniversary date of the insurance contact or contracts, whichever first occurs. Thereafter, all commission earned is payable to the new producer of record.

   You remain responsible for any refund of unearned commission until:

   c. termination of the insurance contract or contracts, whether by expiration or cancellation, or

   d. the next subsequent anniversary date of the insurance contract or contracts, whichever first occurs.

3. You are no longer responsible for servicing any insurance contract for which you are no longer producer of record at the end of the 10-day period.

V. Hold Harmless

   A. We will indemnify and hold you harmless from and against all claims, losses, damages, liabilities, judgments or settlements, including reasonable costs, expenses and attorneys' fees, arising out of the relationship of the parties under the terms of this Agreement caused by our act, error or omission, except to the extent that you have caused, contributed to or compounded such act, error or omission.

   B. You will notify us promptly when you receive notice of any claim or legal action, and we shall have the right to investigate any such claim and to participate or assume the defense of such legal action.

VI. General Provisions

   A. If you fail to collect premiums, we will have the right to collect such premiums in any manner we deem appropriate. Any premiums so collected by us shall be credited to your account. There will be no commissions paid to you on any such premium so collected. You will not be relieved of your liability to pay such premiums for which you have not relieved yourself of responsibility as provided for in the Accounting Schedule attached.

   B. All premiums are our property and are held as trust funds by you. You have no interest in the premiums and, except for the amount of commissions authorized by us to be deducted by you, will make no deductions from or personal use of such funds nor retain any such premiums as an offset against any disputed claim you may have against us before paying the same to us. You will establish a premium trust account and maintain same. You may not commingle these premiums with other funds except with our written permission.

   C. All advertising material referring directly to us or our rates, premiums, insurance contracts, bonds or coverages, must be approved in writing by us before use. All such material forwarded to the policyholder from us shall, when feasible, contain reference to you.

   D. This agreement may be terminated by you or us upon written notice of intention to terminate directed to the other party at least 90 days prior to the termination date.

This Agreement may be terminated immediately upon either party giving written notice to the other in the event of fraud, insolvency, willful misconduct, or breach of the terms of the Agreement on the part of such other party. This Agreement may be terminated immediately by us giving you written notice in the event of the sale or transfer of all or a majority interest in your business by stock certificate transfer or otherwise.

In the event of immediate termination any premium in your hands or the collection for which you are responsible, shall be paid immediately to us.

In the event of termination of this Agreement and provided you have, in accordance with the terms of this Agreement, accounted for and paid to us all premiums and other moneys due and owing and securities held for or on behalf of us, your records, together with use and control of expirations, shall remain your property and be left in your undisputed possession; if there has not been such accounting, and payment by you within 60 days after such termination, the ownership of the records and the ownership of the right of use and control of the expirations shall vest in us, and you shall immediately thereafter forward any said records in your possession to us.

Upon termination of this Agreement, our obligation to pay you commissions in accordance with the Schedule or Schedules attached to this Agreement shall cease as of the date of such termination except as provided in General Provision VI E., and except commission on non-cancellable policies and bonds, or until a producer of record letter designates another producer as producer of record on such policies and bonds.

In the event there is a reasonable dispute as to the existence or extent of your liability to us, such dispute shall not prevent application of the ownership of the records and the ownership of the right of use and control of the expirations to be in your favor, provided you promptly furnish collateral security acceptable to us in an amount equal to that in dispute to be held by us until the difference is resolved.

E. For a period of one year, or for any greater period required by law, following termination of this Agreement, except for one or more of the reasons set forth in D above, you shall continue to represent us, subject to the terms of the conditions, responsibilities and obligations contained in this Agreement as if this Agreement had not been terminated, and in addition to the following conditions:

1. You will not solicit nor bind any new risk.

2. You will retain authority to service existing insurance contracts which will be permitted to run to anniversary date or termination, whichever occurs first.

3. You may renew, for a period not to exceed one year, those insurance contracts which meet our underwriting standards which exist at the time of renewal.

4. You may add or increase limits on insurance contracts but only with our prior written approval.

5. Cancellation or non-renewal of any insurance contract may be affected by us for any reason allowable by law. In the event of non-renewal, we will give you at least 60 days prior notice of our intention not to renew.

6. You will continue to receive commission on the basis paid immediately prior to termination.

> You will not continue to represent us following termination if any of the following have occurred:
>
> 1. Your most recent exposure/accident year loss ratio is in excess of that contemplated by us in our rate structures, but only with respect to those classes of insurance which have developed such adverse loss ratios.
>
> 2. We have terminated this Agreement because of your fraud, insolvency, willful misconduct, or breach of any provision of this Agreement.
>
> 3. If any public authority cancels or declines to renew your Agent's license or certificate of authority.
>
> VII. If there has been a sale or transfer of all or a majority interest in your business by stock certificate transfer or otherwise, and we did not agree to extend any form of contract to the successor firm.

Section 1: Self-Quiz

Directions: Choose words from the word bank to fill in the blanks.

action	purpose
culture	talent
financial	

1. An agency's value, vision, and mission statements are catalysts for _____. They help create an agency's _____, describe an agency's _____, plan _____ development, and define an agency's _____ aspirations.

Directions: Read each statement and decide its purpose. Write the letter of each statement in the appropriate column.

Value Statement	Vision Statement	Mission Statement

A. By 2025, Agency XYZ will be the premier agency for commercial clients in transportation services.

B. The team at Agency XYZ will be the go-to source for personal insurance for rural residents across the tri-state area.

C. Employees of Agency XYX are committed to providing every client with a customized plan of long-term financial protection.

D. Agency XYZ is committed to expanding its expertise in green energy initiatives to be the premier insurance consultants to energy manufacturers across the country.

Directions: Circle the word that completes each statement.

1. The term *agency culture* describes an agency's _____.

    purpose   **personality**

2. The direction in which an agency culture forms depends upon the agency's _____.

    employees   **leadership**

3. Because they are involved in essential decision-making, agency leadership models _____ agency behaviors.

    negative   **positive**

4. An agency culture, or personality, that grows from the ground-up is led by _____.

    agency leaders   **agency employees**

Directions: Circle True or False.

1. Once an agency culture is established, it remains open to change.

    True   **False**

Directions: Put a check (√) mark next to each consequence of creating a healthy agency culture.

☐ Employees are more likely to enjoy their work.

☐ Employees will become more competitive, increasing an agency's profitability.

☐ Employees will become supportive of each other's successes.

☐ Employees will become more solitary in their commitment to established procedures and workflows.

☐ Employees will become more productive, increasing an agency's profitability.

☐ Employees will contribute to increased client retention, increasing an agency's profitability.

Directions: Use words from the word bank to fill in the blanks

measurable	**value**
mission	**vision**
strategic	

1. Together, an agency's _____,
    _____, and _____
    statements describe an agency's purpose. They also allow the development of
    _____ goals that help an agency evaluate how well its
    _____ plans are executed.

Directions: Put a check (√) mark next to each question an agency can answer to describe
its overall purpose.

☐ How are resources used to support the agency's organizational framework?

☐ Is the agency more focused on sales or on service?

☐ What is the agency's current and predicted staff size?

☐ How experienced is the agency's management team?

☐ Is the agency publicly or privately traded?

☐ How do the agency's goals determine what products it sells?

Directions: An agency considers several market factors when determining how many company relationships it needs to have. Write a letter to match each market factor to its definition.

Definition	Market Factors
A. the cost and the ease of doing business	_____ fewer versus many
B. a company's financial stability, its personnel, its products, and the support it provides	_____ agency volume
	_____ mix of business
C. the cost of maintaining multiple company relationships	_____ utilization of existing company markets
D. how much premium the agency can promise to a company	_____ company volume requirements
E. whether the agency currently has all of the companies it needs to meet business demands	_____ company characteristics
F. whether the agency is using its current company relationships fully	

Directions: Agency XYZ is considering building a relationship with a company. The quality of the company's personnel will influence the agency's decision-making. Circle the personnel factors that an agency considers.

1. the company's internal professional training program

2. the company's staff retention history

3. the company's client retention history

4. the staff's combined years of workforce experience

5. the staff's knowledgeability

6. the staff's efficiency

7. access to face-to-face communication

Directions: Agency XYZ also evaluates the company's products. Put a check (√) next to each factor the agency will evaluate.

- ☐ the product's coverage
- ☐ the product's price
- ☐ the marketing campaign built for the product
- ☐ the company's technology
- ☐ the company's stability in the marketplace
- ☐ the company's commission and compensation policies
- ☐ the forms the company uses

Directions: Underline the examples of support an agency must consider before beginning a relationship with a company.

1. the company's stability in the marketplace

2. marketing and advertising support

3. customized policies to accommodate individual agencies

4. efficient technology

Directions: Just as an agency considers the companies it wants to work with, companies decide what kinds of agencies they want to work with. List seven questions an agency can ask itself to know how companies will see its value.

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

7. _____

Directions: Agencies go through five stages of growth. Write letters to match each characteristic to an agency's stage of growth.

Start-up	Development & Growth	Success	Expansion	Maturity

A. The agency is fully developed.

B. The agency owner focuses on strategic goals.

C. An agency targets new marketing territories.

D. Staff within the agency are following well-executed procedures.

E. The agency's owner handles every matter of business.

F. An agency's client base is increasing.

G. The agency's client base is unstable.

H. The agency's owner assesses staff requirements as the agency pursues growth opportunities.

I. Client service is unreliable and unstable.

J. Revenue and expenses are beginning to balance.

K. The agency is finally profitable.

L. The agency's owner modifies strategies and builds a leadership team.

M. The agency's owner coordinates department employees as staff expands to meet demand.

Directions: Everyone benefits from an agency's positive financial health. Write letters to match each benefit to the following groups:

Agency Owners	Producers	Staff	Insurance Companies

A. Agencies are an extension of their business brand and part of their marketing efforts.

B. A successful agency can lead to higher salaries and job security.

C. Agencies are the greatest asset in these individuals' personal financial statements.

D. One day, they may decide to purchase successful agencies.

Directions: An agency's value is based on several factors Fill in the blanks to name the missing factors.

1. Profitability _____

2. Accounts _____

3. _____ ratio

4. Average _____

5. _____ compensation structure

6. _____ of personnel

7. Company _____

8. _____

9. _____ & _____ experience

Directions: Explain the difference between a budget and an income statement.

1. A budget _____

2. An income statement _____

Directions: Name four sources of income for an agency.

1. _____

2. _____

3. _____

4. _____

Directions: Write letters to match each expense to the appropriate category.

Compensation	Selling	Administrative

A. Sales salaries

B. Pensions

C. Profit sharing

D. Utilities

E. Accounting and other professional services

F. Insurance

G. Employee benefits

H. Travel

I. Entertainment

J. Postage

K. Promotional materials

L. Education, licenses, and professional fees

M. Leases

N. Automobile

O. Sales commissions

P. Marketing/advertising

Q. Payroll taxes

R. Rent

Directions: Complete the chart to show three things agency leadership can do to manage expenses and why they should do them.

What should an agency do?	Why should it do it?

Directions: Use words from the word bank to fill in the blanks

assets	fixed assets	owns
balance	liability	retained earnings
current assets	long-term liabilities	start-up capital
current liabilities	owes	

1. A(n) _____ sheet shows a listing of what an agency _____ and what it _____.

2. Another name for what an agency owns and owes is _____.

3. Cash, accounts receivables, and prepaid expenses are examples of _____.

4. Cars, desks, office equipment, and other tangible items are examples of _____.

5. A(n) _____ is something an agency owes to others. Accounts payables, accounts current, and payroll taxes are examples of _____.

6. Payments due more than 12 months into the future are examples of _____.

7. Owners' equity includes _____ and _____.

Directions: Explain the purpose of the following ratio.

$$\frac{\text{Current Assets}}{\text{Current Liabilities}} = ?$$

_____

_____

_____

Directions: Circle True or False.

To strengthen or improve a liquidity ratio, an agency can:

1. track incoming revenue

           True   **False**

2. keep investments as liquid as possible

           True   **False**

3. focus more on fixed assets than on current assets

           True   **False**

4. manage debts carefully

           True   **False**

Directions: Underline each example of cash flow management in an operating account.

1. commission checks from a trust account

2. premiums

3. direct bill commission

4. compensation expenses

5. company premiums payable

6. commissions

7. business development expenses

8. operating expenses

Directions: List seven common disruptors that trigger a need for change within an agency.

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

7. _____

Directions: Number the steps required to manage change from 1 to 4.

_____ Set Goals

_____ Establish a Clear Direction

_____ Validate the Need

_____ Create an Action Plan

Directions: Write letters to match each characteristic to its category in a SWOT Analysis.

Strengths	Weaknesses	Opportunities	Threats

A. opportunities the agency missed because it didn't have the right resources

B. the agency's unique resources

C. new technology or upgrades that could benefit the agency

D. the agency's assets

E. a change in an insurance company's goals that affect the agency

F. new training that would benefit employees

G. the areas in which the agency out-competes other agencies

H. the areas in which the agency falls behind its competitors

I. state and federal regulations that could affect the agency

J. reasons the agency has failed to meet its goals in the past

K. products or services that are in demand that the agency could provide

L. competition that could take away clients and/or employees

M. reasons the agency has lost business

Directions: Use the words from the word bank to fill in the blanks.

action plan	consumer purchasing trends	goals
accounts, or clients	economic trends	internal
agency operations, systems, and workflows	external	regulatory environment
competition	financials	sales and support

1. After completing a SWOT analysis, an agency must consider the
    _____ and _____ factors that
    will help determine its _____ and subsequent
    _____.

2. External factors include _____,
    _____, _____ and
    _____.

3. Internal factors include _____,
    _____, _____, and
    _____.

Directions: Circle True or False.

1.   A SMART goal provides a general description of an action.

True   **False**

2.   A SMART goal is observable and always measurable.

True   **False**

3.   A SMART goal always requires employee support.

True   **False**

4.   A SMART goal must consider the need for resources and demands on employee time.

True   **False**

5.   A SMART goal is most effective in short or incremental amounts of time.

True   **False**

Directions: Put a check (√) mark next to each statement that describes short-range goal planning.

☐ occurs over a three-to-five-year period
☐ provides a broad picture of where an agency is headed
☐ provides detailed plans that organize and prioritize specific action steps
☐ communicates roles and responsibilities to staff
☐ provides an agency's daily, weekly, and monthly action agendas

Directions: Order the steps in an Action Plan from 1 to 4.

Step Number	Action
_____	Identify who will be responsible for each action.
_____	Develop action steps for successful completion of a goal.
_____	Establish clear timeframes and guidelines for each action.
_____	Determine how resources will be allocated to each action.

Section 2: Talent Acquisition and Development

Section Goal

Participants will be introduced to the tools necessary to build and manage today's diverse workforce.

Learning Objectives:

2.1 *The participant will use knowledge of needs assessments, budget considerations, space utilization, culture, and workforce diversity to develop a planning strategy for an agency's workforce.*

2.2 *The participant will use knowledge of workforce realities, targeted searches, effective application processes, onboarding, and career paths to summarize a plan for ensuring a good hire.*

2.3 *The participant will describe specific tools used to manage employee development.*

2.4 *The participant will apply an understanding of the performance evaluation process to identify performance standards appropriate to a performance evaluation document and to use those standards to describe a management-driven separation process.*

Introduction to Talent Acquisition and Development

Today's employees are more selective about where they work, making it necessary for successful agencies to implement competitive strategies for acquiring and developing talent. The emphasis changes once the best talent is on board. To retain talent, an agency must develop a strong business plan, build an agency brand, and provide effective employee training that reinforces the agency's value, vision, and mission.

Workforce Planning

Learning Objective:

2.1 *The participant will use knowledge of needs assessments, budget considerations, space utilization, culture, and workforce diversity to develop a planning strategy for an agency's workforce.*

What Does an Agency Need?

An effective agency is a strategic agency. Its behaviors are purposeful, including its recruiting, hiring, and training decisions.

As an agency grows, so does its staff. Growth influences the number of employees, the roles they play, how they are compensated, the benefits they receive, and the kinds of professional or staff development they require.

A successful agency makes assessments of the human capital required to meet its established goals. Those assessments lead to:

- an awareness of gaps, deficiencies, and surpluses within and across departments
- a determination of how many employees the agency can afford to hire
- whether hiring, training, and promotion are internal, external, or both
- an understanding of the specific talents and skills employees require
- whether the agency plans to expand or restructure
- the best time for employees to join the agency

Workforce planning has numerous benefits. It helps an agency:

- reduce labor costs associated with employee vacancies and inappropriate employee selection
- reduce costs associated with recruiting and training
- assess current human capital strengths and weaknesses

- avoid duplicating inefficient workflows and procedures

- develop a source of appropriate professional training

- establish and build clear employee career paths

- develop or revise written position descriptions

- identify necessary supplies and equipment, building capacity, and financing needs

- create effective mentoring programs

- manage mergers and acquisitions more effectively

Thinking Ahead

Because agencies are frequently affected by mergers and acquisitions, agencies must be prepared for their impact upon both employees and customers. A plan must be in place to ensure an agency's health and well-being.

It is necessary to acknowledge that stress accompanies change. To minimize the stress caused by mergers and acquisitions, good workforce planning is essential. Only detailed integration planning can help minimize harmful effects on client service, employment contracts, agency cultures, and overall staff morale.

When There Is No Workplace Planning

Inadequate workforce planning can lead to the loss of profitability. Losses are frequently caused by:

- the compensation costs of poor hiring decisions

- recruiting costs (e.g., background checks, job postings, screening tests)

- training and onboarding costs

- HR costs (e.g., relocation expenses, severance pay)

- time lost to correct issues with former employees' work

- lost productivity

- reduced team morale

- customer complaints and attrition

The single largest expense for most agencies is personnel. Think of labor as approximately two-thirds of the "cost of goods sold." Effective workforce planning enables an agency to implement the business strategies necessary to fulfill an agency's strategic plan. Fundamentally, this means that workforce planning ultimately affects not only an agency's day-to-day success but its success overall.

Workforce Diversity

Diversity's challenges are also its strengths. Today's customers are people of all ages and cultures. A multigenerational and multicultural workforce connects an agency to the larger world, creating market opportunities. It follows, then, that employee searches should be purposeful, seeking talented individuals who reflect the larger customer base, meet customer needs, and inspire customer trust.

The Value of "Cultural Fit"

Before an agency can begin to assemble a pool of candidates for a position, it is critical that the agency understands its value, vision, and mission. For example, the values of The National Alliance for Insurance Education & Research are integrity, innovation, and imagination. Values drive strategic hiring. They allow an agency and its hiring managers to identify candidates who are a good cultural fit. That is, they seek colleagues who reflect and demonstrate the agency's culture.

Seek the "Soft" Skills

A quick review of a candidate's résumé produces an instant recognition of a candidate's work experience and technical skills. However, hiring managers must look deeper to identify the "soft" skills that people bring to their work. Soft skills include the ability to communicate effectively, engage in creative problem solving, remain adaptable and flexible, and demonstrate social and emotional awareness.

Good workforce planning with an eye toward building teams that reflect existing and potential customer markets is the first step toward agency success. Next comes preparation for the future. A well-trained and challenged team makes future change possible, including changes in the customer base, leadership within the agency, and agency ownership.

Position Descriptions

Once an agency has followed through with workplace planning and determined how many and what types of employees it needs, the agency must then develop a clear description for each position.

Purposes of a Position Description

Position descriptions offer numerous benefits to both an agency's managers and its employees. Well-written position descriptions:

- define the essential functions of the position
- establish the necessary qualifications for the position
- describe specific position activities fully, as well as latitude in variations of those activities
- provide a tool for interviewing
- set levels of compensation
- define acceptable performance in the position
- establish a base measure for employee evaluation
- serve as a basis for corrective action or separation

Components of a Position Description

An effective position description like the one that follows this explanation has several components, or elements. They include:

- a position title
- a supervisor's name and/or position
- a compensation range
- a summary of the position's contributions to the agency's overall performance
- a description of the duties and essential functions, as well as required knowledge, skills, and abilities
- any special requirements
- a description of working conditions
- a signature line

Sales Manager Position Description

Position Title: Sales Manager

Reports To: _____

Compensation Range: _____ to _____

A. SUMMARY

Performs sales and marketing tasks in meeting agency objectives for production and profit. Maintains strong and effective relationships in the business community. Manages and controls the sales operation of the agency. Has authority, overall knowledge of agency operations, and insurance knowledge at the management level.

B. POSITION FUNCTIONS

1. Establishes sales goals and plans to assure that each producer contributes to the overall agency objectives. Achieves 100% of annual sales goal.

2. Develops and maintains a comprehensive sales training program to assure meeting agency standards of performance.

3. Conducts annual review for producers including attainment of goals and compensation arrangements. Reviews to occur within15 days of anniversary date.

4. Coordinates company activities with marketing department to ensure compliance with agency agreements.

5. Communicates all systems, procedures, and insurance company regulations to all producers to ensure full compliance.

6. Maintains a recruiting program for selecting and training new producers that will fulfill the overall needs of the agency.

7. Maintains an active and effective role evaluating and choosing the right companies for the agency.

8. Develops a sales budget to ensure conformity to agency policy on expenses incurred.

9. Plans sales campaigns with carriers and obtains resources from carriers to increase sales effectiveness and profitability of the agency.

10. Works to maintain low loss ratios through loss control practices, implementation of loss-reduction programs for clients, and utilization of company resources to improve insured's risk management practices, with the outcome being an overall agency loss ratio not to exceed sixty percent.

11. Maintains excellent relationships with carriers for increased support and the efficient delivery of high-quality products to insureds at fair prices.

12. Documents all material conversations with insureds and/or carriers regarding exposures and coverages.

13. Performs other functions as assigned by management.

Sales Manager Position Description . . . continued

C. KNOWLEDGE, SKILLS, AND ABILITIES

Prior sales/production management and marketing/underwriting experience with an insurance agency, brokerage firm, or carrier. Innovative, assertive, organized, with excellent verbal and written communication skills.

D. OTHER REQUIREMENTS

College degree or equivalent. Five plus years insurance industry experience, including underwriting or marketing in the property/casualty areas preferred. All licenses to discuss or place insurance as required by the State Department of Insurance in states where the agency functions. Ability to use personal computer, calculator, agency automation systems, and various software programs including but not limited to Microsoft Word and Excel.

E. WORKING CONDITIONS

Fast-paced multi-tasking environment.

F. GENERAL

1. This position description is intended to describe the level of work required of the person performing the position.

2. Essential functions are outlined; other duties may be assigned as needs arise or as required to support the agency's essential functions.

3. This description is not intended as a contract and is subject to unilateral change and revision by management.

4. Any written contractual agreements will supersede this position description.

5. All requirements may be modified to reasonably accommodate physically or mentally challenged employees.

I have read, understand, and agree to abide by the position description.

_____ _____
Signature   Date

▶▶ Knowledge Check

Directions: Write a position description for a position within your organization. Describe how the person hired for the position would demonstrate a good fit within agency culture.

_____

_____

_____

_____

_____

_____

Recruiting and Hiring

Learning Objective:

   2.2   _The participant will use knowledge of workforce realities, targeted searches, effective application processes, onboarding, and career paths to summarize a plan for ensuring a good hire._

Recruiting

A successful agency is an employer of choice. There are numerous reasons employees join or stay with an agency, including:

- having an opportunity to work with great people

- fair pay

- supportive management, i.e., a good supervisor

- being recognized, valued, and respected

- benefits

- meaningful work and a personal sense of "making a difference"

- pride in the agency, its mission, and its products
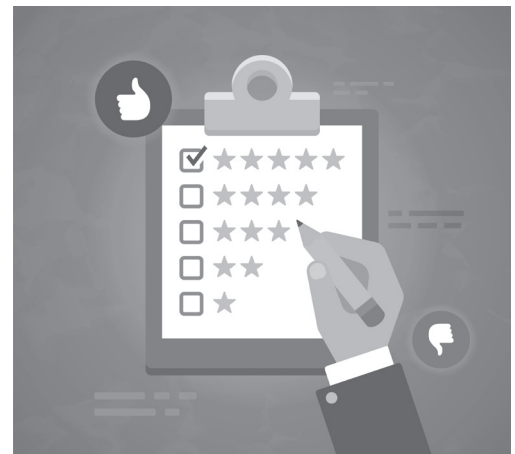
The Right Hire

How does a successful agency recruit, hire, manage, and develop good employees? Ask who, what, and why.

WHO: Define the type of person the agency wants to recruit and retain, or hang onto. What kind of people would represent the agency's brand — Type-A go-getters? Cutting-edge thinkers? Innovative problem solvers?

WHAT: Describe the ideal employee profile.

WHY: Hiring the right employee makes a huge difference to an agency's success. Consequently, it is important to recruit and retain people who embrace the agency's culture and who will become leaders within the agency.

Create a vision for the agency's workforce, and then hire to achieve the goal. Rely on workforce planning and anti-discrimination policies to know what the agency can and can't offer. Then use benefits and perks to attract employees.

Know What the Competition Is Doing

Candidates and current employees are aware of how other agencies treat their employees. While larger businesses may be able to offer larger compensation packages, smaller agenci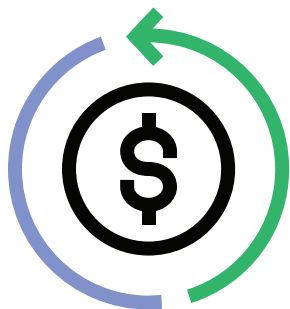es can also attract and retain good employees by building and sustaining healthy work environments and providing unique perks, benefits, and professional development.

To better understand competitors, network with managers from other agencies, examine competitors' career web pages, and speak to employees and candidates about what they are seeing and hearing.

Engagement

Work keeps employees engaged. But to remain engaged, work must be challenging from the first day of employment to the last. However, it should not be so challenging that it leads to stress or "burn-out." Instead, it should be sufficiently challenging to help employees remain interested and passionate about the agency's vision.

Workplaces

Some employees may work in virtual offices. Such offices require attention to space, including the virtual office environment and IT infrastructure and tools. Employees may need guidelines that define the workspace, the schedule, and how activity is measured. They will also need to have a means of staying connected to colleagues and contributing to the agency's overall culture.
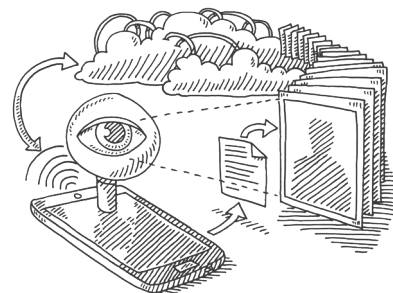
Employees in virtual offices may work full- or part-time. Often classified as WFH, or "work from home," they may work traditional or non-traditional hours, particularly if they are involved in non-core activities, such as marketing and sales management. An agency decides whether its virtual employees require insurance experience or if their talents make it worthwhile to teach the necessary skills.

Candidate Pools

In its search for suitable candidates, an agency can find numerous talent sources, including online platforms, such as Indeed, Monster, Facebook, and LinkedIn. Agencies can also consider participating in job or career fairs, visiting colleges and universities, seeking candidates among their customers, and asking for recommendations from carriers.

The Selection Process

Selection procedures must provide equal opportunity for all qualified candidates, avoiding unfair discrimination. To ensure a successful selection process, an agency must:

1. Prove the interview is work-related.

2. Demonstrate that the results of the interview accurately predict work performance.

3. Demonstrate that the interview is conducted consistently among all candidates.

4. Demonstrate that the results do not adversely affect protected groups.

The following graphic lists and describes the laws and guidelines that are in place to prevent unfair selection procedures.

Age Discrimination Act of 1967

Forbids employment discrimination against any individual 40 years of age or older.

Fair Credit Reporting Act

Protects accuracy, fairness, and privacy of consumer information held in files of consumer reporting agencies.

Equal Pay Act

Both sexes must receive equal pay for equal work within the same agency. The jobs need not be identical but substantially equal.

Title VII of the Civil Rights Act of 1964

Prohibits employers from discriminating against employees on the basis of gender, race, ethnicity, national origin, or religion.

1990 Americans with Disabilities Act

Comprehensive civil rights law that prohibits discrimination against people with disabilities in employment, public services, public accommodations, and telecommunications.

Immigration Reform & Control Act (IRCA)

Amendment to the IRCA that makes it unlawful to hire, recruit, or refer for a fee for US employment any person who is unauthorized to work or any person without verifying the person's work status.

Employee Harassment

Any form of employment that violates Title VII of Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967, ADEA, and ADA. The US Equal Employment Opportunity Commission defines harassment as unwelcome conduct based on race, color, religion, sex (including pregnancy), national origin, age, disability, or genetic information

Pre-Interview Screening Tool

A résumé is and should only be used as a pre-screening tool. Review a candidate's résumé before conducting an interview. Look for indications of:

- educational background
- specific achievements
- stability and career direction
- time in each position
- relevant experience
- duties like those demanded in the present position

Also look for warning signs, such as:

- excessively lengthy descriptions of education
- frequent position changes
- gaps in employment

Use the résumé or application as the "First Cut." Look closely for "must" skills and ask others to review the résumé as well to help find valuable information that might have been missed.

The Interview

There are a few simple guidelines to follow to conduct a successful interview:

- Interview in a quiet location and protect against disturbances.
- Determine the length of time the interview will last.
- Follow a consistent interview format.
- Follow your plan, listen, and be objective. Avoid participating in the interview.
- Use questions that generate information about the candidate's previous experiences.

S Situation	**T** Task	**A** Action	**R** Result

Use the STAR, or Situation, Task, Action, Result, interview strategy to elicit responses to competency-focused questions. The STAR strategy relies on questions that ask interviewees to discuss how they handled specific situations in the workplace. For example,

- What's most important to you in your work?
- How do you approach finding creative solutions to workplace problems?
- What does a cohesive team look like?
- Talk about a time you went out of your way to assist a colleague.
- Give an example of something positive you did for a customer.

Avoid common mistakes of interviewing, including:

- Expectation gap

  Be sure there is no difference between the reality of the position and what the interviewer describes to the candidate.

- Halo effect

  Be aware of the tendency to attribute positive characteristics to people who appear more attractive.

- Conversation control

  Be sure the candidate speaks more than the interviewer.

The following table presents some simple recommendations for conducting interviews.

Do	Don't
ask questions that assess a candidate's skills and past performance in tasks or duties related to the position	direct questions to some people such as women or members of cultural minorities that would not also be asked of men or members of a majority group
monitor interview questions to ensure that they relate only to work performance	ask questions that solicit information about a candidate's religious faith or practices, or the candidate's national origin
ask only work-related questions	ask broad-based questions unrelated to the position
ask all candidates the same questions	set unnecessary conditions of employment

In the interview process, a good rule of thumb is, "IF IN DOUBT, DON'T ASK."

Checking Suitability and Qualifications

An agency is responsible for using reasonable care in determining that a candidate is qualified for the position. With that goal in mind, an agency can conduct:

- a motor vehicle report (MVR)
- a credit check
- a criminal background check

Character references are also valuable tools in the assessment of a candidate's suitability for a position within an agency. If possible, gather information about the candidate from former supervisors and co-workers.

The following table displays results from a survey of individuals who verify candidate qualifications. These individuals seek a variety of information but to different extents.

Which items do you verify prior to employment?	Always	Sometimes	Never
Professional licensing	75%	18%	7%
Prior employment verification	70%	26%	4%
Professional references	69%	27%	4%
Criminal background check	53%	16%	31%
Social media	38%	40%	21%
Education	37%	38%	25%
Motor vehicle report	27%	29%	43%

Source: *Hiring, Managing, and Compensating Insurance Agency Personnel*

Testing the Candidate

A variety of tests offer another source of information about potential employees. Some tests focus on skills, while others examine a candidate's personality. An agency can use test results like filters, narrowing the pool of potential candidates.

A skills test can evaluate a candidate's automation skills or insurance knowledge, while a personality profile may offer some glimpse of a candidate's character traits, and whether those traits make the candidate a good fit within an agency. The following table lists some of the skills, knowledge, and overall traits some agencies investigate as part of the interview process.

What do you test candidates for?	Always	Sometimes	Never
Personality	60%	23%	17%
Computer literacy	48%	30%	21%
Problem-solving skills	48%	30%	23%
Insurance knowledge	46%	33%	20%
Sales skills	32%	44%	24%

Source: *Hiring, Managing, and Compensating Insurance Agency Personnel*

Personality and Behavioral Assessments

The Myers & Briggs Type Indicator®, or MBTI®, is a personality inventory based on the work of C. G. Jung. Jung's theory was built on the understanding that human behavior is generally orderly and consistent, despite apparent variations. Today, some businesses use the personality inventory to categorize potential employees into one of sixteen personality types to find those types they think satisfy their agencies' workforce planning needs.

The Omnia Profile is a behavioral assessment designed to help employers identify "natural job behaviors." The company issues reports with customized analyses of candidates' behavioral characteristics, including "communication style, attention to detail, and pace."

Caliper also produces pre-hiring behavioral assessments designed to assist organizations in making good hiring decisions. Company representatives work with a hiring agency to create an assessment tool that reflects an agency's needs and culture. Once a candidate completes the assessment, Caliper then determines the results and makes hiring recommendations.

Another resource some businesses use to evaluate potential employees is an assessment called EQ-i 2.0®. The updated version measures emotional intelligence (EI), or "a set of emotional and social skills that influence the way people perceive and express themselves, develop and maintain social relationships, cope with challenges, and use emotional information in effective and meaningful ways." The assessment can be taken repeatedly over varying periods of time.

Compensation and Benefits

The primary purpose of compensation is to provide a link between attracting, retaining, and paying good agency employees and meeting an agency's business needs.

Labor markets are competitive, meaning if an agency offers compensation far less than that offered by local competitors, it will find it difficult to recruit and retain good employees. On the other hand, compensation that exceeds market expectations may needlessly affect an agency's profit.

Compensation		
Entry Level	**Mid-Level**	**Maximum Level**
the salary at which employees start in a particular position, which may vary based upon an employee's previous experience	the mid-point salary for employees in a particular position	the maximum salary an agency will pay to an employee in a particular position (Establishing a maximum salary prevents paying more for a position than it would cost to replace the individual.)

Create or obtain a survey of compensation within the agency's operating area. Seek information regarding:

- worker availability
- working conditions
- employee benefits
- job security

Also seek data on salary ranges. An important decision in developing compensation programs is where to target pay levels in relation to competing agencies. Go to sources such as The Producer Profile and The CSR Profile (The Pulse of Customer Service) to find national averages.

Individual Productivity and Compensation

Once employees are in place, additional compensation can be attached to individual positions, such as merit increases based on performance during specific periods of time, and bonuses received for achieving certain levels of performance. Bonuses can be:

- employee-based
- agency-based
- department-based
- incentive pay contingent upon reaching particular goals

In general, be sure that compensation has a relationship to performance. In other words, relate pay increases or bonuses to performance.

Benefits

Employees frequently do not understand the value of the benefits an employer provides. An annual benefits review that includes the dollar value of each item helps employees understand what their employers are really providing. The following table displays examples of non-state-specific benefits that are often hidden in an employee's paycheck.

Paycheck Breakdown	
Annual Salary	$45,000.00
FICA (.0765)	3,442.00
FUTA (.006 of first $7,000)	42.00
SUTA (.054 of first $7,000)	378.00
Medical (individual)	5,000.00
Dental	500.00
Life Insurance	100.00
401(k)	1,200.00
Total Cost	$55,280.00

There are additional benefits within an agency, such as rewarding collaboration or performance with gift certificates, stocked refrigerators, paid volunteer time, flex-time, earning additional time off, team-building exercises, and cafeteria plans. However, be aware of what is considered compensation.

In some states, it is permissible to ask candidates their previous salaries. But perhaps a better question for an agency to ask is, "What is the position worth?" Compensation decisions should consider the geographical location of the position, fair compensation within this location, jurisdictional regulations, whether working remotely is possible, and comparative measures of current staff compensation.

Employment Agreements (Contracts)

Every employee should have an employment contract that addresses employee expectations and the protocols of leaving an agency (such as, who owns the client list). Contracts should be discussed with legal counsel and balanced with working to maintain "at-will" employments. This means both the employer and the employee can terminate the relationship at any time, for any reason, with or without cause.

In summary, Employment Agreements must address:

- what is expected of the employee
- how the employee will be compensated
- who owns the book of business
- how "for cause" separation will be addressed

An agency may also want to consider using one or more of these additional agreements:

- Employees who sign an Employee Non-Disclosure and Confidentiality Agreement agree not to disclose confidential information they have acquired during their employment.
- A Non-Compete Agreement forbids an employee to sell insurance within a specific geographic territory for a specific length of time. In many states, this may be difficult to enforce.
- A Non-Piracy Agreement prevents an employee from soliciting or writing the existing clients of the agency for a specific length of time after the producer leaves the agency, generally 2-3 years. Such agreements are usually more enforceable than non-compete agreements.

The following tables display data collected from surveys of agency owners regarding employment agreements.

What type of employment agreements does your agency use?	All Surveys	Agency Size: Number of Employees				
		1–5	6–10	11–20	21–50	51+
Non-compete (specific in terms and geographic scope)	61%	45%	52%	50%	75%	74%
Non-piracy (specific in terms of time and clients)	51%	49%	51%	62%	49%	55%
Neither of the above	20%	33%	26%	21%	11%	8%
Source: *Hiring, Managing, and Compensating Insurance Agency Personnel*						

Who is required to sign an employment agreement?	All Surveys	Agency Size: Number of Employees				
		1–5	6–10	11–20	21–50	51+
Producers	77%	62%	76%	81%	81%	89%
CSRs/Account Managers	58%	49%	51%	65%	65%	67%
All staff other than Producers and CSRs	29%	26%	34%	26%	26%	31%
No one is required to sign an agreement	15%	27%	17%	12%	12%	4%

Source: *Hiring, Managing, and Compensating Insurance Agency Personnel*

▶▶ Knowledge Check

Share an example of an interview you found particularly successful from the point of view of a candidate or the interviewer. Describe specific elements of the interview that you think worked best.

_____

_____

_____

_____

OR

Share examples of "hidden" benefits within your workplace that help attract and retain good employees. Explain what other benefits you think would be an advantage to your agency.

_____

_____

_____

_____

Employee Development

Learning Objective:

2.3   *The participant will describe specific tools used to manage employee development.*

Onboarding Process

Once an employee is hired, the onboarding process begins. While onboarding is the first step in any employee's life with a new agency, the onboarding experience varies. Effective onboarding programs often include an orientation and an employee manual.

Orientation

An agency can use an orientation program to introduce a new employee to the company and to company culture and to identify mentors. Introductions to physical spaces, new colleagues, and important internet technologies, or IT, are normally part of an orientation process.

Employee Manual

An employee manual is an invaluable resource to both an agency and its employees. It should be reviewed annually by an attorney or qualified HR company to remain current with employment law. An EPLI carrier may include a sample or offer assistance on an EPLI employment policy.

An employee manual does not need to conform to a particular page length or format. Instead, it should be complete, meaning it should provide critical information regarding terms of compliance and liability.

An effective employee manual:

- establishes expectations and defines boundaries
- protects employers from liability by clearly communicating policies and procedures
- presents specific and practical information related to policies, procedures, and benefits
- explains company policies regarding the use of company equipment, including electronic devices

Topics in an Employee Manual

- Employment classifications
- Organizational chart
- Performance evaluations
- Dress code

- Holiday schedule and vacation policy
- Office hours
- Sick leave policy

- Benefit eligibility
- EAP
- Corrective action program

- Jury or reserve duty
- Discrimination and sexual harassment policies

- Computer security
- Voice mail and email
- Internet access and social media
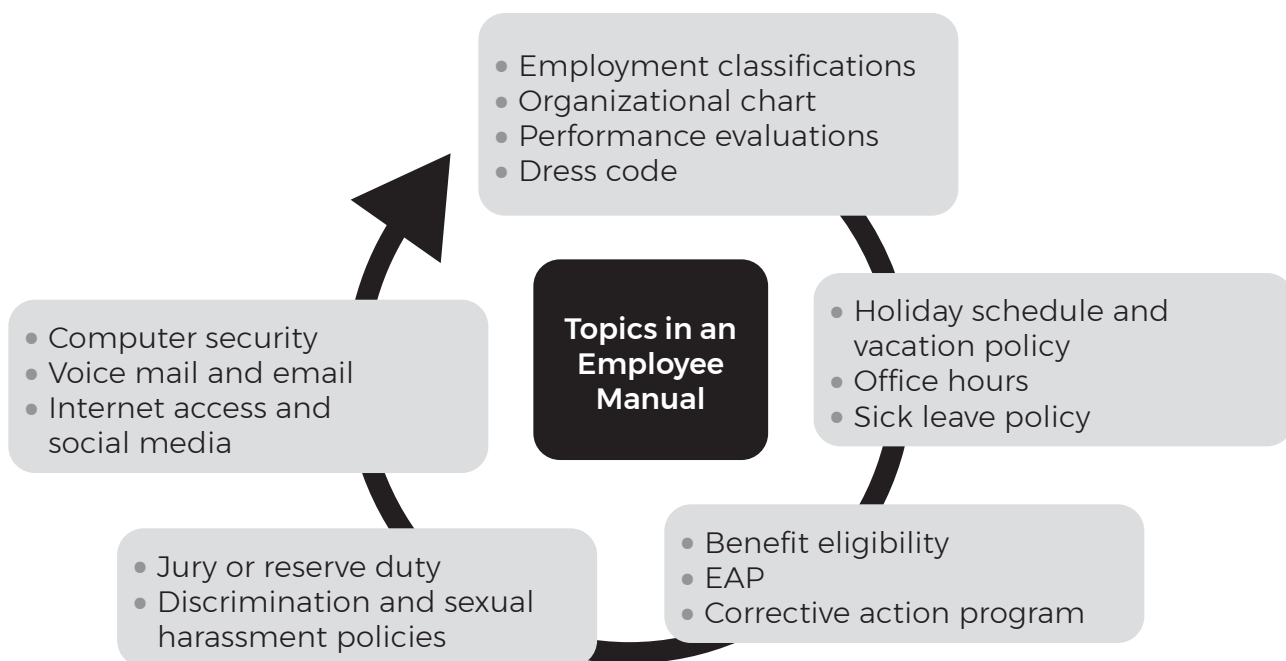
Employee manuals also serve as a means of making sure that all employees "know" policies and procedures. An employee manual should:

- identify and reinforce an agency's value, vision, and mission

- identify and reinforce ethical and performance-related standards

- assist with new employee orientation

- assist with compliance with numerous legal mandates

- provide consistent policy administration and enforcement

- describe resolution protocols for issues

A good employee manual includes a disclaimer that a manual is not equivalent to a contract. The manual should remain up-to-date but change infrequently. And although it should reflect the culture and standards of a particular agency, it is often helpful to review employee manuals from other agencies for insights.

To encourage new employees to read the employee manual, ask for a signed document that acknowledges receipt of the manual.

The following table displays the results of a survey aimed at learning how frequently agencies create and rely on employee manuals as part of their workforce planning.

Does your agency currently have an employee handbook?	All Surveys	Agency Size: Number of Employees				
		1–5	6–10	11–20	21–50	51+
Yes	81%	60%	77%	82%	96%	97%
No	19%	40%	23%	18%	4%	3%
Source: *Hiring, Managing, and Compensating Insurance Agency Personnel*						

There is no one-size-fits-all solution to creating an effective employee manual, but in a survey of employee manual (or handbook) users, respondents identified topics important to their agencies.

Which items does your handbook include/address?	All Surveys	Agency Size: Number of Employees				
		1–5	6–10	11–20	21–50	51+
Dress code	93%	87%	91%	92%	95%	98%
Signature form acknowledging receipt of handbook	92%	86%	91%	90%	98%	95%
Harassment	91%	86%	86%	87%	96%	98%
Statement that employment is "at-will"	90%	86%	86%	91%	93%	95%
Drug-free workplace	89%	90%	86%	83%	91%	97%
Internet usage	89%	84%	89%	82%	94%	97%
Disclaimer that it can be unilaterally changed (by management)	83%	76%	82%	82%	82%	91%
Family Medical Leave Act	78%	69%	76%	67%	82%	95%
Alcohol-free workplace	77%	69%	77%	70%	80%	89%
Americans with Disabilities Act	78%	71%	74%	70%	84%	92%
Social media policy (Facebook, LinkedIn, etc.)	67%	56%	68%	59%	71%	83%
COBRA	60%	39%	57%	47%	72%	82%
Fair Credit Reporting Act	56%	46%	52%	46%	66%	70%
Marijuana usage	47%	46%	51%	39%	44%	54%
Immigration Reform & Control Act	45%	37%	44%	37%	49%	58%
Source: *Hiring, Managing, and Compensating Insurance Agency Personnel*						

Personal Growth and Development Plans

Professional development plays an important role in workforce planning and can begin as soon as an employee joins a team. Agencies need individuals who are committed to gaining expertise, to communicating and collaborating, and to managing relationships to promote individual and agency goals. Agencies can help employees accomplish these things by providing a variety of formal and informal training opportunities, such as access to special training, connections to professional networks and organizations, mentoring programs, special assignments, and continuing education programs.

Benefits of professional development include:

- increased productivity
- better products and coverage placement for clients
- improved retention
- fewer Errors and Omissions claims
- increased profitability

Because employees' needs vary, different kinds of professional development are suitable for different individuals.

For improved technical proficiency, provide access to training in sales, coverages, risk and safety programs, and marketing.

For employees who might benefit from enhancing their social-emotional skills, provide access to training, such as written, oral, and face-to-face communication; conflict acceptance and resolution; and working collaboratively to build healthy, productive teams.

Professional development training can be provided internally or externally, with both having advantages and disadvantages.

The following graphics show some advantages and disadvantages of providing professional development internally.

Advantages of Internal Professional Development	• Fewer expenses • Differentiated training • Access to a vast selection of online training • Webinars that require only an internet connection

Disadvantages of Internal Professional Development	• Lack of peer interaction found in most classrooms • Mounting work requirements that go untouched • Possible perpetuation of makeshift or work-around solutions • Little or no interaction with instructor or peers in online training

External professional development also has advantages and disadvantages.

Advantages of External Professional Development	• Outside instructors may have greater expertise • Local agency is unaffected by absence of less-productive employee • Employee can interact with those seeking the same training

Disadvantages of External Professional Development	• Additional costs related to travel • Training is rarely customized and may not be tailored to meet each agency's needs

▶▶ Knowledge Check

Directions: Describe the advantages of providing internal versus external professional development to employees.

_____

_____

_____

_____

_____

_____

_____

Evaluating Performance

Learning Objective:

2.4   _The participant will apply an understanding of the performance evaluation process to identify performance standards appropriate to a performance evaluation document and to use those standards to describe a management- driven separation process._

Performance Evaluations

Making time for employee performance evaluations is valuable to both employees and supervisors. The time set aside to complete and discuss the evaluations allows everyone involved to focus briefly on the work at hand — what's working, what isn't, where opportunities for learning exist, and where recognition is due. Performance evaluation is a cyclical process with four elements:

1.

Agree upon performance standards

4.

Communicate evaluation results along with next year's standards

The Performance Evaluation Process

2.

Measure performance throughout the year

Evaluate performance

3.
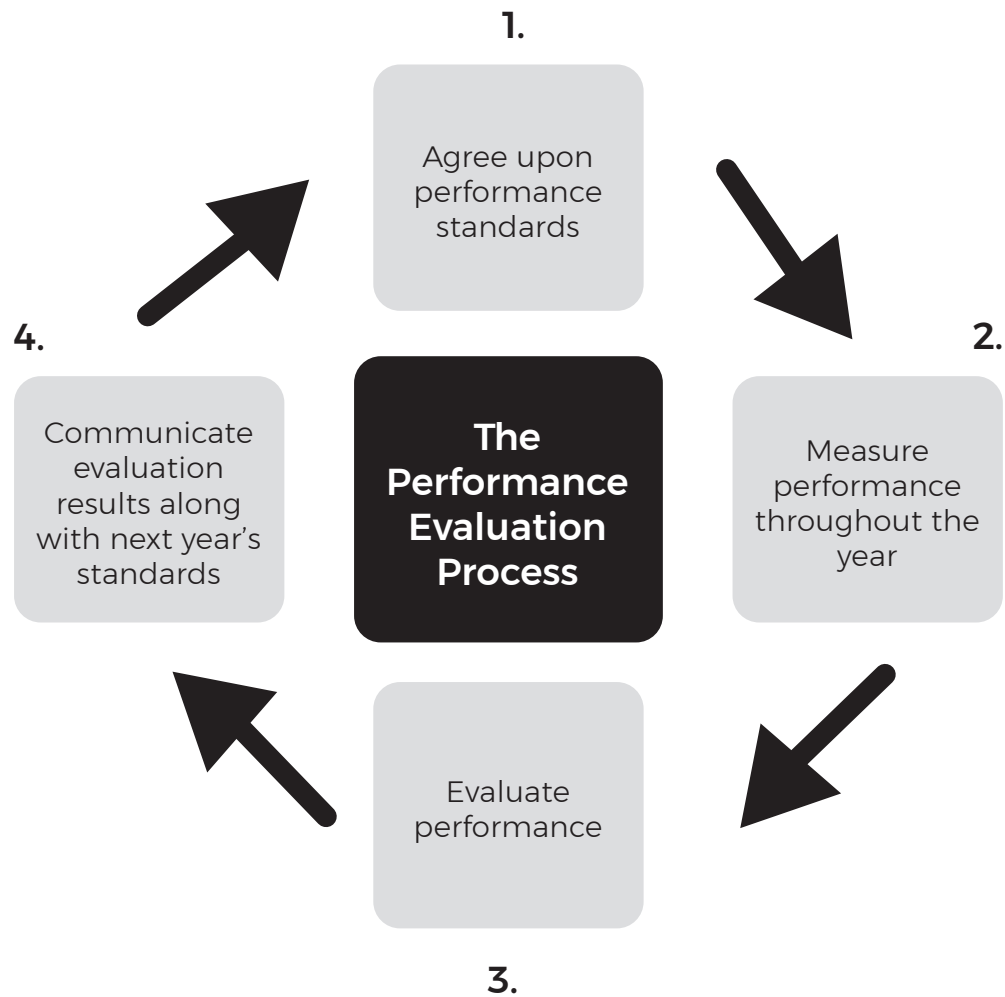
The tables below display results of surveys designed to determine the percentages of agencies that have formal performance evaluation processes and how frequently performance evaluations are conducted.

Do you currently have a formal performance evaluation process?	All Surveys	Agency Size: Number of Employees				
		1–5	6–10	11–20	21–50	51+
Yes	60%	41%	47%	53%	75%	90%
No	40%	59%	53%	47%	25%	10%
Source: *Hiring, Managing, and Compensating Insurance Agency Personnel*						

How often is performance evaluation conducted?	All Surveys	Agency Size: Number of Employees				
		1–5	6–10	11–20	21–50	51+
Annually	71%	73%	64%	80%	70%	72%
Semi-annually	17%	8%	20%	7%	22%	21%
Quarterly	5%	14%	4%	4%	3%	4%
Other	7%	4%	13%	9%	5%	3%
Source: *Hiring, Managing, and Compensating Insurance Agency Personnel*						

The Evaluation Process

Encourage employees and supervisors to look upon performance evaluations, or reviews, as opportunities for sharing information and perceptions, as well as for developing future action plans. Self- and peer-appraisals are other appraisal options.

Involve employees in the development of any new performance evaluation systems or forms to generate "buy-in."

No evaluation should be a surprise. Instead, employees should expect feedback throughout the performance period before concluding with a formal review that reflects both employee and supervisor expectations.

The Performance Evaluation Document

A formal performance evaluation should reflect a specific position description. Consequently, "generic" or "off-the-shelf" forms are inadequate.

Despite being position-specific, evaluation forms have common components. They include:

- clearly communicated performance standards or behaviors
- clearly described performance achievements accomplished during the review period
- the employee's special strengths and accomplishments
- opportunities for further employee development and training
- the employee's comments in response to the evaluation
- a signature line that acknowledges the completion of the performance evaluation

The following document is an example of a performance evaluation and development document.

Person Reviewed:	Department:	Period Covered:	Date:	Reviewer:

| Key Qualities: 5 = Exceeds Expectations, 4 = Above Expectations, 3 = Meets Expectations, 2 = Below Expectations, 1 = Fails to Meet Expectations |||||

KNOWLEDGE	1 2 3 4 5	QUALITY	1 2 3 4 5
QUANTITY	1 2 3 4 5	INITIATIVE	1 2 3 4 5
COOPERATION	1 2 3 4 5	ATTITUDE	1 2 3 4 5
ATTENDANCE	1 2 3 4 5	LEADERSHIP	1 2 3 4 5

KEY ACCOMPLISHMENTS & OBJECTIVES	RESULTS	RATING
#1		1 2 3 4 5
#2		1 2 3 4 5
#3		1 2 3 4 5
#4		1 2 3 4 5
#5		1 2 3 4 5

Approaches to the Formal Evaluation

Advanced preparations can facilitate a successful evaluation and lead to desired results. Here are some guidelines for conducting an evaluation:

- Know the result you want.
- Be sure the employee is fully informed, meaning s/he knows what is expected.
- Review the employee's performance in relation to her/his position description.
- Be thoroughly familiar with the employee's current performance.
- Identify strengths the employee can develop further.
- Decide what additional training the employee needs.
- Think about what to say. Keep comments focused on the employee's work, not the person.
- Focus on the facts.
- Listen carefully.
- Maintain privacy.
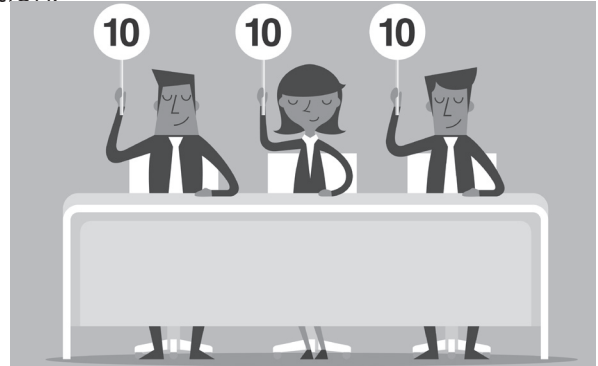
Separation

Separation is an inevitable part of the employee life cycle. It can be both management-driven and employee-driven. The reasons for separation, however, vary.

Management-driven reasons for separation include:

- unmet performance expectations
- dishonesty, fraud, and malfeasance
- a reduction in force (RIF) or elimination of the position
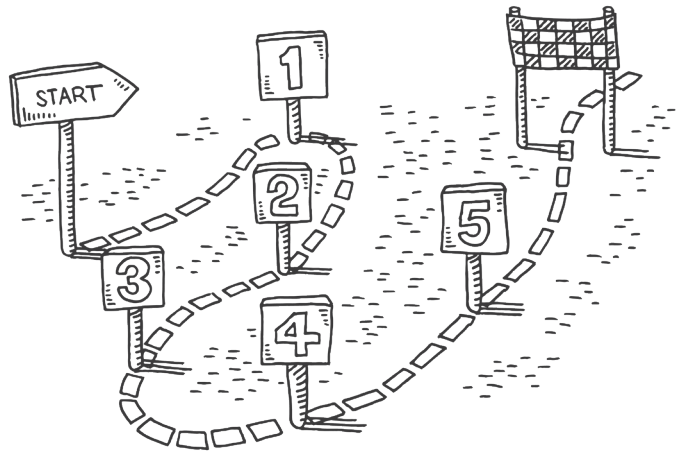
Employee-driven reasons for separation include:

- personal or behavioral problems
- resignation
- retirement
- broken promises by management/owners
- disrespect unrelated to actual business results
- corporate politics, including sabotage by others
- a feeling that there is nothing left to learn or gain from continued employment
- a feeling of serving not as a person or trusted colleague but of labor
- the lack of a career path or development opportunities

Preparation for Separation

The separation process should begin well before a discharge takes place. First, determine whether separation is due to the employee, the agency, or both. If the employee manual has a corrective-action plan, use it. Then document the reason(s) for separation, what the agency did to prevent it, whether disciplinary measures followed agency policy, and the progressive disciplinary measures taken (an employee's personnel file should support the decision, including investigations, warnings, and witness statements). Check to be sure other employees have been treated similarly.

Ensure the agency fully investigated the employee's complaints, and separation is not in any way retaliatory. Also ensure there are no implied or oral contracts in place with the employee. Terminate the working relationship when it is in the best interest of the agency. Have specific procedures in place for the return of property, final pay, and benefit continuation.

The Termination Process

In cases of involuntary termination:

- Review the situation with other owners, Human Resources representatives, legal counsel, and/ or managers.
- Be sure documentation clearly outlines the unacceptable performance or conduct.
- Write a separation letter that states the specific reasons for separation.
- Have a separation meeting. Choose the right time and place. Keep the meeting private. Plan to have a Human Resources representative or a supervisor present.
- Make the meeting to the point. It is not a discussion.
  — Specify why the separation is taking place.
  — Have the Human Resources representative discuss benefits (including COBRA) and how to handle calls for references.
  — Assign someone to stay with the employee as s/he cleans out her/his desk.
  — Escort the individual from the property.

Afterward, use a separation checklist to ensure that final paycheck and expenses have been attended to, keys have been returned, all agency property has been checked in, and agency documents and files are inventoried. Immediately terminate passwords and all system and website access, including carrier websites.

Finally, inform other staff members about the decision.

Exit Interview

Exit interviews are vital. Listening to employees at this point in the employee life cycle demonstrates a commitment to employees across all stages of the cycle.

In cases of voluntary separation, have a form ready to document an exit interview. An exit interview is an opportunity for agencies to gather valuable feedback. The interview should be properly and professionally managed, and information gathered from departing employees should be analyzed and used to improve employee retention and employer brand.

Questions aimed at gathering information should relate to the employee's:

- reason for leaving
- likes and dislikes about the agency
- recommendations for improving or enhancing the agency
- attitudes toward recommending the agency to others as a place to work

▶▶ Knowledge Check

Directions: Name three essential performance standards for employees within your agency and describe how you use those standards to manage the agency's separation process.

1. _____

   _____

   _____

   _____

2. _____

   _____

   _____

   _____

3. _____

   _____

   _____

   _____

Summary

An agency is a vibrant, dynamic organization. To be and remain successful, it must plan carefully, hire selectively, and pay attention to every phase of the performance evaluation process. Acquiring and retaining exceptional talent requires continuous effort. That effort translates into increased agency profitability, as well as a more productive and satisfying work environment for employees.

Critical Factors Affecting Agency Value
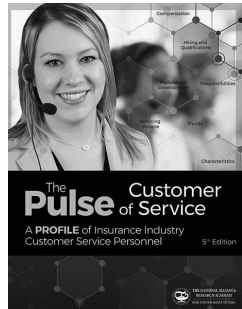
A valuable resource to supplement the information provided in the CIC Agency Management curriculum, *The Pulse of Customer Service* Identifies and prioritizes the essential and controllable factors that form the foundation of value for an independent insurance agency. **Visit the bookstore:** TheNationalAllianceBooks.com.

Resources

A Study Guide for this course is available for download at *scic.com/AMresources*.

Exhibits

A. Employment Application

B. New Employee Checklist

C. Corrective Action Form

D. Termination Checklist

E. Customer Service Representative Job Description

Exhibit A: Employment Application

EMPLOYMENT APPLICATION

Position Applied for: _____ Application Date: _____

Personal Information:

Name: _____ Last _____ First _____ MI

Address: _____ Street _____ City _____ State _____ Zip

Home phone #: _____ Alternate #: _____

Email Address: _____ Alternate Email: _____

Are you available to work: ☐ Full time? ☐ Part time?

If you are under 18 years of age, can you provide required proof of work eligibility? ☐ Yes ☐ No ☐ NA

Do you or will you in the future require sponsorship for employment visa status? ☐ Yes ☐ No

Have you ever worked or submitted an application with this agency before? If yes, when? ☐ Yes ☐ No

Do you have any friends or relatives employed by this company? ☐ Yes ☐ No

Are you currently employed? ☐ Yes ☐ No

Are you currently on layoff status and subject to recall? ☐ Yes ☐ No

May we contact your current employer? ☐ Yes ☐ No

Are you eligible to work in the United States? (Proof of eligibility will be required upon employment.) ☐ Yes ☐ No

Do you have a reliable means of transportation? ☐ Yes ☐ No

Have you ever been discharged from any employment or been asked to resign? (If yes, attach explanation.) ☐ Yes ☐ No

Are you bound by any agreement(s) (including signing a non-competition, non-disclosure, non-solicitation, or non-piracy agreement) that would limit your ability to work for the agency? (If yes, attach copy to this application.) ☐ Yes ☐ No

Are you able to perform all the essential functions of the job for which you are applying with or without reasonable accommodation? ☐ Yes ☐ No

If hired, would you be able to travel out of town/overnight? ☐ Yes ☐ No

If hired, would you be able to work overtime or weekends as needed? ☐ Yes ☐ No

EMPLOYMENT

(start with most recent employment)

Employer		Telephone Number
Full Address (Street, City, State & Zip)		Supervisor's Name & Title
Employment Start Date	Employment End Date	Reason for Leaving
Describe work performed		

Reproduced from *Hiring, Managing, and Compensating Insurance Agency Personnel.* Available from The National Alliance Research Academy (800)633-2165
https://nationalalliancebooks.com/collections/essentials/products/hiring-managing-and-compensating-insurance-agency-personnel

EDUCATION

Name of School	Address of School	Grade Completed or Degree(s)	Subjects Studied

List any seminars, classes, or other education not listed above which may help qualify you for this position.

Optional: List any professional, trade, business, or civic activities and offices held. You may exclude membership that would reveal gender, race, religion, national origin, ancestry, age, disability, gender orientation, or any other protected status.

Optional: List any languages other than English that you can speak, read, or write that may be of benefit to the position applied for.

DESIGNATIONS
(Check all that apply)

☐ CIC   ☐ CPCU   ☐ CLU   ☐ ChFC
☐ CRM   ☐ CISR   ☐ Other_____

Employer	Telephone Number
Full Address (Street, City, State & Zip)	Supervisor's Name & Title
Employment Start Date	Employment End Date	Reason for Leaving

Describe work performed

Employer	Telephone Number
Full Address (Street, City, State & Zip)	Supervisor's Name & Title
Employment Start Date	Employment End Date	Reason for Leaving

Describe work performed

Employer	Telephone Number
Full Address (Street, City, State & Zip)	Supervisor's Name & Title
Employment Start Date	Employment End Date	Reason for Leaving

Describe work performed

Section 2: Talent Acquisition and Development

LICENSES

P&C License	☐ Yes ☐ No	State & License #
L&H License	☐ Yes ☐ No	State & License #
Broker's License	☐ Yes ☐ No	State & License #
Series 6 or 7 License	☐ Yes ☐ No	State & License #
Other Licenses	Describe:	State & License #

If you have ever had an insurance license suspended or revoked, include details and explanation.

_____

_____

SOFTWARE
(Check all that apply.)

Software	Skill Level	Version
Microsoft Word	☐ Low ☐ Medium ☐ High	_____
Microsoft Excel	☐ Low ☐ Medium ☐ High	_____
Microsoft Outlook	☐ Low ☐ Medium ☐ High	_____
Agency Management Software: _____	☐ Low ☐ Medium ☐ High	_____
Other: _____	☐ Low ☐ Medium ☐ High	_____
Other: _____	☐ Low ☐ Medium ☐ High	_____

REFERENCES

(Please include at least three professional/work related references and one personal reference. Professional references should be prior supervisors or managers directly familiar with your work.)

Name	
Full Address	
Phone #	
Title/Company	
Relationship	
Email address	

Name	
Full Address	
Phone #	
Title/Company	
Relationship	
Email address	

ADDITIONAL EXPERIENCE OR QUALIFICATIONS

List any other experience, skills, or qualifications that you believe should be considered in evaluating your qualifications for employment.

If hired, what value would you bring to our company?

Describe what you believe are the most unique features of your work history.

Desired Salary Range: _____

Name	
Full Address	
Phone #	
Title/Company	
Relationship	
Email address	

Name	
Full Address	
Phone #	
Title/Company	
Relationship	
Email address	

Name	
Full Address	
Phone #	
Title/Company	
Relationship	
Email address	

I understand that if I am offered a position with this company, I may be given a pre-employment drug/alcohol test as a condition of employment. My refusal to submit to a drug/alcohol test in a timely manner, or my failure to pass such a test means that I will not be employed by this company without lawful and approved documentation of any such substance found in such a test. Negative test results are required as a condition of employment. Test results will be kept confidential.

I understand and agree that if I am employed, my employment will be at will, which means that the company may terminate the employment relationship at any time, with or without cause and with or without notice. Likewise, the company will respect my right to terminate my employment at any time with or without cause and with or without notice.

I authorize investigation into all statements and references contained in this application. Said investigation may include interviews with past employers, workers, and friends.

I understand that the company is under no obligation to hire me as the result of accepting this completed application.

I certify that all answers given by me are true, accurate, and complete pursuant to the penalty of perjury under the laws of this state. I certify that I have not knowingly withheld any information that might adversely affect my chances for employment. I understand that the falsification, misrepresentation, or omission of fact on this application (or any other accompanying or required documents) will be cause for denial of employment or immediate termination of employment, regardless of when or how discovered.

Signed _____ Date _____

NOTIFICATION AND AGREEMENT

(Please read before signing.)

It is **<Enter Agency Name>** policy to afford equal opportunity to all employees and applicants for employment without regard to age, race, religion, color, sex, national origin, marital status or sexual orientation, individuals with a disability, or any other characteristic protected by applicable Federal, State, or Local law.

I authorize the investigation of all statements and information contained in this application. I release from liability anyone supplying such information, and I also release **<Enter Agency Name>** from all liability that might result from making an investigation.

If employed, I agree to not engage in any outside activity that would involve a material conflict of interest with, or could reflect adversely on **<Enter Agency Name>**. I understand that **<Enter Agency Name>** retains the right to solely decide when such a conflict exists.

If employed, I agree to hold in strictest confidence any information concerning **<Enter Agency Name>**, its Insureds, and its Carriers that may come to my knowledge.

In consideration of my employment, if I am employed, I agree to conform to the employment policies of **<Enter Agency Name>**, and understand that my employment and compensation can be terminated, with or without notice, at any time, at the option of either **<Enter Agency Name>** or myself. I understand that no representative of **<Enter Agency Name>**, other than the President, has the authority to enter into any agreement for employment for any specified period of time, or to make any agreement contrary to the foregoing.

I understand that completion of this employment application does not guarantee that I have been employed by **<Enter Agency Name>**. By signing this application, I indicate that I understand that this company will not tolerate any form of unlawful discrimination, including sexual harassment. Any employee who engages in unlawful discrimination or sexual harassment will be subject to appropriate discipline up to and including termination.

Exhibit B: New Employee Checklist

NEW EMPLOYEE CHECKLIST

NEW EMPLOYEE CHECKLIST FOR _____

Pre-Employment	Completed?		Mgr. Initials
Employment application complete & signed?	Yes ☐	No ☐	
Signed background check authorization?	Yes ☐	No ☐	
Signed drug-testing authorization?	Yes ☐	No ☐	
Signed MVR authorization?	Yes ☐	No ☐	
Signed credit check authorization?	Yes ☐	No ☐	
Proof of valid insurance license?	Yes ☐	No ☐	
Proof of valid driver's license?	Yes ☐	No ☐	
Drug test results reviewed?	Yes ☐	No ☐	
Criminal background check complete?	Yes ☐	No ☐	
MVR reviewed?	Yes ☐	No ☐	
References	**Completed?**		**Mgr. Initials**
References verified and contacted?	Yes ☐	No ☐	
Previous employment verified and contacted?	Yes ☐	No ☐	
Signature Acknowledgements	**Completed?**		**Mgr. Initials**
Employee Handbook	Yes ☐	No ☐	
Job Description	Yes ☐	No ☐	
Non-Piracy/Employment Agreement	Yes ☐	No ☐	
General	**Completed?**		**Mgr. Initials**
Employment file created?	Yes ☐	No ☐	
Key(s) to office distributed?	Yes ☐	No ☐	
Computer passwords assigned?	Yes ☐	No ☐	
Direct deposit forms provided?	Yes ☐	No ☐	
Payroll system set up?	Yes ☐	No ☐	
Voice mail set up?	Yes ☐	No ☐	
Supervisor provided record of employee's computer, email, and voicemail passwords?	Yes ☐	No ☐	

NEW EMPLOYEE CHECKLIST FOR _____

Government Required	Completed?		Mgr. Initials
Employment eligibility verification (I-9)	Yes ☐	No ☐	
Federal tax withholding form (W-4)	Yes ☐	No ☐	
State tax withholding form	Yes ☐	No ☐	
Local tax withholding form	Yes ☐	No ☐	

Employee Benefits Enrollment	Completed?		Employee's Initials
Medical	Yes ☐	No ☐	
Disability	Yes ☐	No ☐	
Vision	Yes ☐	No ☐	
Dental	Yes ☐	No ☐	
Life insurance	Yes ☐	No ☐	
Pension/401(k)	Yes ☐	No ☐	
Section 125 cafeteria plan	Yes ☐	No ☐	

KNOWN ALLERGIES OR MEDICAL CONDITIONS (OPTIONAL)

You are not required to provide any information in this section, but if you want us to have information that may help us in a medical emergency (and for no other purpose), you are invited to voluntarily disclose such information (common examples are asthma, epilepsy, life-threatening allergies, or diabetes).

Reproduced from *Hiring, Managing, and Compensating Insurance Agency Personnel.*
Available from The National Alliance Research Academy (800)633-2165
https://nationalalliancebooks.com/collections/essentials/products/hiring-managing-and-compensating-insurance-agency-personnel

EMERGENCY CONTACT FORM

EMPLOYEE INFORMATION

Name	Social Security Number
Home Address	Home Phone
Date of Birth	Cell Phone

PRIMARY EMERGENCY CONTACT

Name	Relationship
Home Address	Home Phone
Work Phone	Cell Phone

SECONDARY EMERGENCY CONTACT

Name	Relationship
Home Address	Home Phone
Work Phone	Cell Phone

PHYSICIAN INFORMATION (OPTIONAL)

Name	
Office Address	Office Phone
Home Phone	Cell Phone

Employee Signature _____ Date _____

NEW EMPLOYEE CHECKLIST

PAGE 3 OF 3

Exhibit C: Corrective Action Form

Exhibit D: Termination Checklist

TERMINATION CHECKLIST

TERMINATION CHECKLIST FOR _____

EFFECTIVE DATE OF TERMINATION _____

			Employee Initials
Return of:			
Employee Handbook	☐ Yes	☐ No	
Key(s) to office	☐ Yes	☐ No	
Laptop and other automation equipment	☐ Yes	☐ No	
All client files and information	☐ Yes	☐ No	
All carrier files and information	☐ Yes	☐ No	
All other confidential information	☐ Yes	☐ No	
Notification:			
Has employee been given termination letter?	☐ Yes	☐ No	
Has COBRA Notification Letter been given/sent to employee?	☐ Yes	☐ No	
Computer Access:			
Have computer passwords been deactivated?	☐ Yes	☐ No	
Have all on-line company passwords been changed?	☐ Yes	☐ No	
References: (May we provide future potential employers or their representatives with)			
Your start date?	☐ Yes	☐ No	
Your termination date?	☐ Yes	☐ No	
Your compensation history?	☐ Yes	☐ No	
Your position history?	☐ Yes	☐ No	
The reason for your termination?	☐ Yes	☐ No	

Employee's Signature _____ Date _____

Manager's Signature _____ Date _____

CORRECTIVE ACTION FORM

Employee: _____   Reprimand Date: _____

Reprimand was: ☐ Oral ☐ Written   Reprimand Time: _____

REASON FOR REPRIMAND:

CORRECTIVE ACTION REQUIRED OF EMPLOYEE:

Corrective action will be reviewed in _____ days.
(Not required for oral reprimand)

Employee's Signature: _____

Manager's Signature: _____

Exhibit E: Customer Service Representative Job Description

CUSTOMER SERVICE REPRESENTATIVE JOB DESCRIPTION

Position Title: Customer Service Representative

Reports to: _____

A. SUMMARY

Assists in the production of new accounts and the retention of existing accounts. Provides prompt, efficient, high-quality service to designated accounts in support of Producer activities.

B. ESSENTIAL JOB FUNCTIONS

1. Responsible for gathering the information and risk management recommendations for the renewal of designated accounts sixty days prior to renewal and for delivering renewals and/or binders for designated accounts as needed, within five days of receipt.

2. Conduct periodic service calls via phone or in person for designated accounts.

3. Perform special projects at the request of designated clients after management approval. Complete binders and/or policy or endorsement requests within three days of date quoted to client.

4. Maintain timely and thorough customer and carrier interactions to minimize the potential for errors & omissions claims.

5. After reviewing updated client exposure survey information, obtain all required renewal information from the insured and complete applications for designated renewal business sixty days before renewal date. Assists Producer(s) as needed.

6. Review renewals to determine if non-standard policies can be rewritten in a standard program. Prepare rewrite applications for business through companies no longer represented at least 30 days prior to renewal. Secure and submit all required renewal underwriting information.

7. Receive phone calls and office visitors requesting quotes, changes to existing coverage and/or new policies. Complete changes/requests within 24 hours of receipt. Determine carrier placement, complete applications or endorsements, and collect premium when applicable.

8. Review existing accounts to determine if additional lines of insurance should be solicited by mail and/or phone prior to renewal.

9. Receive and review all terminations and cancellations to determine appropriate action within 72 hours of receipt.

10. Handle premium collection through form letters and request cancellation of policies when necessary.

11. Follow up on outstanding claims and provide assistance in claims resolution as necessary.

12. Solicit new business opportunities with clients for lines of coverage not currently written by the agency. Expectations are an average of one new business referral per client serviced.

13. Actively solicit increases in limits and/or coverages, rounding out accounts through new sales to clients across lines of coverage.

14. Actively seek referrals from current client base to solicit for new business prospects; follow up to generate new business using prospect database and automation system. Expectation is five referrals per week.

15. Document all material conversations with insureds and/or carriers regarding exposures and coverages.

16. Maintains working knowledge of all rating products and processes.

17. Perform other functions as assigned by management.

C. KNOWLEDGE, SKILLS AND ABILITIES

Must be an assertive self-starter with the ability to influence others. Prior successful demonstration of effective presentation skills through both verbal and written communication methods.

D. WORKING CONDITIONS/ENVIRONMENT

Fast-paced multitasking office environment. Employees are provided a dedicated workstation with basic ergonomic set up features, such as an ergonomic keyboard and mouse, dual monitors, and an adjustable chair. Workstation accommodations and adjustments are provided upon request and evaluation.

E. PHYSICAL REQUIREMENTS

Must be physically able to work a minimum of **<Enter Number of Hours>** hours per week in the office and/or field. The employee is regularly required to see, hear, and project voice well enough without amplification. There is frequent need for the employee to stand, sit, walk, use repetitive small motor activity, use hands and fingers, and reach with hands and arms. The employee is occasionally required to lift and carry up to

30 pounds; to stoop, kneel, crouch, or crawl, and to ascend and descend stairs. This position requires a high-energy level and ability to handle stress-related situations on a daily basis. The employee may be required to drive and travel unaccompanied in diverse weather conditions.

F. OTHER REQUIREMENTS (PREREQUISITES)

Ability to use a personal computer, calculator, agency automation system, and demonstrate proficiency in various software programs, including but not limited to all Microsoft Office software suite programs.

Candidate must satisfactorily complete pre-hire employment assessments and maintain a satisfactory driving record. Candidate may be asked to submit to a drug and/or alcohol screening. A civil and criminal history background check will be performed at the company's expense. Physical attendance is required at regular and/or mandatory company meetings. Employees are encouraged to pursue relevant professional designations; however, this is not required.

G. APPLICABLE LAWS

This employer complies with applicable federal, state, and local laws governing nondiscrimination in employment in every location in which the company has facilities. These laws include, but are not limited to:

- ADA: The employer will make reasonable accommodations in compliance with the Americans with Disability Act of 1990.
- EEO: This is an equal opportunity employer. The agency provides equal employment opportunities to all employees and applicants for employment without regard to race, color, religion, sex, national origin, age, disability, or genetics.
- OSHA: The employer will comply with OSHA requirements as applicable.

H. CLOSING

This job description is not intended as a contract and is subject to unilateral change and revision by management with or without notice at any time. Any written contractual agreements will supersede this job description.

I have read, understand, and agree to abide by the job description.

_____ _____
Signature   Date

CUSTOMER SERVICE REPRESENTATIVE JOB DESCRIPTION   PAGE 3 OF 3

198   HIRING, MANAGING, AND COMPENSATING INSURANCE AGENCY PERSONNEL   © 2017 THE NATIONAL ALLIANCE RESEARCH ACADEMY

Section 2: Self-Quiz

Directions: List five ways that agency growth affects employees.

1. _____

2. _____

3. _____

4. _____

5. _____

Directions: A successful agency makes assessments of their employees' needs. Underline the consequences of such assessments.

Needs Assessments lead to . . .

1. an awareness of where the agency would benefit from additional employees

2. increased recruiting costs

3. an understanding of when the right time is for bringing new employees in to an agency

4. lost time to address specific needs

5. an understanding of the specific talents and skills an agency needs its employees to have

6. an awareness of the kinds of training employees require

Directions: Write letters to match each consequence to the appropriate column.

The Outcomes of Having Workforce Planning	The Outcomes of Having NO Workforce Planning

A. clear descriptions for each role within an agency

B. duplication of inefficient workflows

C. identification of opportunities for mentoring

D. loss of agency profitability related to poor hiring decisions

E. lower team morale

F. customer complaints and loss

G. lower recruiting and training costs

H. an evaluation of employee strengths and weaknesses

I. inadequate training and mentoring

Directions: Use words from the word bank to fill in the blanks.

ages	**customer trust**
cultures	**deliberate**
customer base	**market**
customer needs	

1. Today's customers are people of all _____ and _____.

2. A workforce that reflects the world creates _____ opportunities for an agency. Consequently, employee searches must be _____.

3. Agencies must seek talented individuals who reflect the _____, meet _____, and inspire _____.

Directions: Explain the relationship between values and hiring.

_____

_____

_____

_____

Directions: List four examples of soft skills strategic hiring managers look for in possible employees.

1. _____

2. _____

3. _____

4. _____

Directions: Circle True or False.

A position description:

1. describes the necessary qualifications for the position.

                    True   **False**

2. identifies all of the tasks and variations of those tasks that are required in the position.

                    True   **False**

3.   defines acceptable performance levels.

                    True   **False**

4. identifies the soft skills required for a good fit within the agency.

                    True   **False**

5. serves as a tool for hiring managers, supervisors,and human resource representatives.

                    True   **False**

Directions: Put a check (√) mark next to each component of a position description.

☐ a position title

☐ a supervisor's name and/or position

☐ a performance evaluation schedule

☐ a performance evaluation rubric

☐ compensation range

☐ a description of duties and essential functions

☐ required knowledge, skills, and abilities

☐ a description of working conditions

☐ an explanation of causes for separation

☐ a signature line

Directions: Use words from the word bank to fill in the blanks.

benefits	proud
fair pay	recognized
meaningful	respected
missions	supportive
products	valued

1. Employees join or stay at an agency for a number of reasons. One is the opportunity to work with great people. Others included good _____, _____, and _____ work. Some employees join or stay because they feel _____ of the work they do, the _____ that their agencies sell, and their agencies' _____.

2. Having _____ management is important. Employees appreciate good supervisors. They also appreciate being _____, _____, and _____.

Section 2: Talent Acquisition and Development

Directions: To recruit good employees, an agency must have a vision for its workforce. Asking who, what, and why can help an agency find a "right fit." Write the letter of the question that corresponds to each statement.

A. WHO?   **B. WHAT?**   **C. WHY?**

_____ The candidate initiated a new-employee mentorship program at her previous agency.

_____ The candidate's references describe the candidate's exceptional problem-solving abilities.

_____ The candidate is currently pursuing a professional designation.

_____ The candidate has specialized training in one of the agency's most successful products.

_____ The candidate has several years of prior experience in a profitable agency.

Directions: Circle True or False.

1. Candidates are aware of how other agencies treat their employees.

    True   **False**

2. Larger agencies are always able to out-compete smaller agencies for good employees.

    True   **False**

3. Larger agencies build and sustain healthier environments than smaller agencies do.

    True   **False**

4. Smaller agencies can out-compete large agencies by offering unique perks and professional development options.

    True   **False**

Directions: Circle each word or phrase that describes the WFH, or work-from-home experience.

part-time	traditional hours	virtual office	connections to colleagues	previous insurance experience
previous WFH experience	full-time	activity measurement	non-traditional hours	schedule guidelines

Directions: List five talent sources an agency can use to identify employee candidates.

1. _____

2. _____

3. _____

4. _____

5. _____

Directions: Use words from the word bank to fill in the blanks.

accurately predict	equal opportunity
adversely	unfair discrimination
consistently	

To ensure a successful employee selection process, an agency should provide

_____ to all qualified candidates and avoid

_____. An agency must demonstrate three things—that the

results of the interview _____ work performance, that the

interview is conducted _____ with every candidate, and that

the results do not _____ affect protected groups.

Directions: A candidate's résumé is a valuable pre-interview screening tool. Put a check (√) mark next to each item on a résumé that an agency should examine.

☐ the candidate's photo attachment

☐ career direction over time

☐ time in each position

☐ employment gaps

☐ the frequency of job changes

☐ specific duties in previous jobs

☐ social group memberships

☐ religious affiliation

☐ education and training

☐ the résumé's formatting or professional appearance

Directions: Use words from the word bank to fill in the blanks.

consistent	**objective**
in a quiet location	**participating**
length of time	**previous experiences**
listen	

Interviewers can follow a few simple guidelines to conduct a successful interview. They should interview _____, plan ahead to know the _____ the interview will last, follow a(n) _____ interview format, _____ and remain _____, avoid _____ in the interview, and ask questions that focus on the candidate's _____.

Directions: Describe the purpose of using a STAR interview strategy.

_____

_____

_____

_____

Directions: Write letters to match each interviewing mistake to its name.

Expectation Gap	Halo Effect	Conversation Control

A. providing an incorrect description of a position

B. speaking more than the candidate

C. assigning positive characteristics to someone who is physically attractive

Directions: Write DO or DON'T next to each recommendation for conducting an interview.

_____ Ask only work-related questions.

_____ Ask questions seeking personal information.

_____ Ask questions that assess a candidate's previous duties.

_____ Ask questions unrelated to the position to "test" the candidate's personality.

_____ Ask the same questions all previous candidates have been asked.

Directions: List four things an agency can include in checking a candidate's suitability and qualifications.

1. _____

2. _____

3. _____

4. _____

Directions: Explain the difference between a skills test and a personality profile.

_____

_____

_____

_____

Directions: Circle True of False.

1. Labor markets are competitive.

    True   **False**

2. Compensation is linked to attracting and keeping good employees.

    True   **False**

3. An agency should research compensation packages provided by competitors.

    True   **False**

4. An agency should pay more attention to perks and benefits than to compensation to attract employees.

    True   **False**

5. An agency should exceed their competitors' compensation rates.

    True   **False**

6. Compensation rates can affect an agency's profitability.

    True   **False**

Directions: Explain the relationship between bonuses and performance.

_____

_____

Directions: Employees may be unaware of all of the benefits they receive or the value of those benefits, making it necessary for agencies to conduct benefit reviews. Circle examples of benefits that agencies frequently provide.

medical benefits	Social Security	dental benefits	exercise facilities
flex time	paid volunteer time	cafeteria plans	FICA

Directions: Write letters to match each employment agreement to its purpose.

Employment Agreement	Non-Disclosure and Confidentiality Agreement	Non-Compete Agreement	Non-Piracy Agreement

A. to prevent a former employee from selling insurance within a specific geographic area for a specific amount of time

B. to explain expectations, compensation, and how "for cause" separation is handled

C. to prevent former employees from soliciting or writing existing clients for a specific length of time after leaving an agency

D. to prevent former employees from disclosing confidential information they acquired while working for an agency

Directions: Define the term *onboarding* and explain its relationship to orientation and employee manuals.

_____

_____

_____

_____

_____

_____

Directions: Circle True or False.

An effective employee manual:

1. clarifies employee expectations.

    True   **False**

2. protects employees from liability.

    True   **False**

3. protects employers from liability.

    True   **False**

4. explains company policies, such as sick leave.

    True   **False**

5. helps assist with legal compliance.

    True   **False**

6. identifies an agency's value, vision, and mission.

    True   **False**

7. describes how performance issues are addressed.

    True   **False**

8. explains IT policies.

    True   **False**

Directions: List five benefits of employee professional development plans.

1. _____

2. _____

3. _____

4. _____

5. _____

Directions: Circle each ADVANTAGE of providing employees with internal professional development opportunities.

1. personalized training

2. no peers who may interfere with learning

3. access to a variety of online training options

4. no required interactions with instructors or peers

5. access to short-term fixes for long-term problems

Directions: Order the steps of the Performance Evaluation Process from 1 to 4.

_____ Communicate evaluation results and use them to establish next

year's standards.

_____ Agree upon performance standards.

_____ Measure employee performance frequently throughout the year.

_____ Evaluate how well the employee meets the performance standards.

Directions: Use words from the word bank to fill in the blanks.

clearly communicated	professional development
comments	signature line
performance achievements	strengths

Common components of evaluation forms include:

1. _____ performance standards or behaviors

2. _____ accomplished throughout the review period

3. the employee's _____ and accomplishments

4. _____ opportunities

5. the employee's _____ in response to the evaluation

6. a(n) _____ acknowledges the completion of the performance evaluation

Directions: List ten preparations an employer can take to prepare for a successful evaluation.

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

7. _____

8. _____

9. _____

10. _____

Directions: Write letters to sort the following reasons for separation into the appropriate categories.

Management-driven Reasons for Separation	Employee-driven Reasons for Separation

A. corporate politics, including sabotage by others

B. dishonesty or fraud

C. broken promises by management/ owners

D. a reduction in force (RIF)

E. unmet performance expectations

F. disrespect unrelated to actual business results

G. the lack of a career path or development opportunities

Directions: Explain what actions an agency should take to prepare for employee separation. Use words from the word bank to fill in the blanks.

cause	**procedures**
contracts	**reasons**
corrective-action	
investigated	**retaliatory**
policy	**separation**
prevent	**similarly**

1. First, determine the _____ for separation. Follow the _____ plan outlined in the employee manual. Then document the _____ for separation, what the agency did to _____ it, whether disciplinary measures followed agency _____, and whether information in the employee's personnel file supports the _____ decision. Also check to be sure other employees have been treated _____.

2. Ensure the agency fully _____ the employee's complaints. Be certain that separation is not _____. Also ensure there are no implied or oral _____ in place with the employee. Have _____ in place for the return of property, final pay, and benefit continuation.

Directions: Order the actions that are part of the termination process in the case of INVOLUNTARY termination from 1 to 8.

_____ Write a separation letter that states the specific reasons for separation.

_____ Review the situation with other owners, HR, and legal counsel.

_____ Assign someone to stay with the employee as s/he cleans out her/his desk.

_____ Make the meeting to the point. It is not a discussion.

_____ Escort the individual from the property.

_____ Be certain that there is documentation that clearly outlines the cause for termination.

_____ Follow up after separation to be sure all materials have been returned and system and website access has been terminated.

_____ Have a private separation meeting with an HR representative or supervisor.

Finally, inform other staff members about the decision.

Directions: Give two reasons an agency should conduct an exit interview with each employee who separates from an agency VOLUNTARILY.

1. _____

2. _____

Section 3: Client Retention and Acquisition

Section Goal

Participants will use their agencies' value, vision, and mission statements as tools for developing an agency's brand and for supporting the agency's financial growth.

Who is the agency, meaning what is its brand?

Who are the agency's clients?

How does the agency attract new clients and generate new revenue?

How does the agency keep its clients?

Learning Objectives:

3.1   *The participant will identify factors that influence or create an agency brand.*

3.2   *The participant will define the steps involved in developing a marketing program and identify key factors that influence the program's success.*

3.3   *The participant will describe three components of a client-retention process designed to capture, improve, and sustain client relationships.*

3.4   *The participant will explain how to determine whether an account is sufficiently profitable to write.*

Introduction to Client Acquisition and Retention

To attract and retain clients, an agency must first know its brand. Think of a brand as a summary of an agency's value, vision, and mission statements. It is a promise to clients, assuring them of specific products and services they can expect. It is also a message to the marketplace and community, an announcement of what makes the agency different from its competitors.

An agency's brand defines its sales culture. An agency knows whether its growth is sales-driven, or service-driven, whether it is a generalist, specialist, or combination of both. The established brand should be clear, communicated, and consistent throughout the agency, from the website and marketing materials to the interaction with clients and prospects.

Know the Brand

Learning Objective:

> 3.1   *The participant will identify factors that influence or create an agency brand.*

Client Expectations

Generally speaking, today's clients tend to be better educated and more knowledgeable than previous generations of clients. Wanting the most for their money, they are cautious in their spending. Their loyalty is earned over time through careful attention to their needs. They expect technology to help deliver around-the-clock access to information. At the same time, they want access to real people in real time—people able to answer their questions and solve their problems. Technological support is invaluable, but it does not entirely replace human relationships.

It is important for an agency to have a clear understanding of what attracts and keeps its clients. Any single or combination of factors can bring clients to an agency and keep them there. These factors create an agency's brand, or image.

Agency X, for example, identified six factors that contribute to its brand. Three of those factors focus on sustaining an environment in which clients feel welcomed and valued. The remaining factors emphasize the value of products and services. Together, these factors communicate Agency X's brand.

The quality of personal relationships

Better coverage than coverage offered by other agencies

Better personal service through direct and anytime contact

Better overall value

A welcoming, secure, comfortable environment in which clients know they are valued

A willingness and ability to solve problems

▶▶ Knowledge Check

Directions: Describe your agency's brand. Select one or more features of the brand to describe a marketing strategy your agency could use to capitalize on its strengths.

24
● ● ● ● ● ●

_____

_____

_____

_____

_____

_____

_____

_____

Market for Success

Learning Objective:

3.2 The participant will define the steps involved in developing a marketing program and identify key factors that influence the program's success.

Five Steps to Marketing Success

Client acquisition is essential for agency growth. And agency growth requires strategic planning. Strategic planning includes building, implementing, and measuring the success of a marketing program.

A successful marketing program has five steps:

1. Identify a target market

2. Evaluate resources

3. Develop the marketing plan

4. Apply metrics

5. Analyze the plan's success

Step 1: Identifying a Target Market

Before an agency can identify a target market, it must know what it does well and what products it has to sell.
It must also:

- know whether there are sufficient prospects for those products

- recognize the competition

- consider how the agency can differentiate itself from the competition

Step 2: Evaluating Resources

For any marketing plan to be successful, an agency must first know its capabilities. Finding the answers to a variety of questions can help the agency evaluate its resources. For example,

- Do the agency's producers possess strong sales skills?

- How well do account managers and producers work together?

- What services and support staff are available to handle an influx of new business? Sending direct mail, for example, returns a 1-2% response from customers. That percentage goes up considerably when staff follow up with phone calls.

- Do existing processes and workflows support success?

- Is there sufficient in-house expertise to answer questions and find solutions?

- How effective is the contact management system?

- Is there support from management, including financial support, to invest in a marketing effort?

- How do the agency's vision and mission influence a marketing program?

While knowing its limitations before planning a marketing program is both practical and essential, it also helps an agency recognize its opportunities for growth and where those opportunities exist.

Step 3: Developing the Marketing Plan

An agency's marketing plan begins with clear goals. Those goals lead to specific actions. For example, an agency might choose to implement a one-time campaign rather than make a continuous marketing effort. It might promote a particular product or a superior or unique carrier.

An agency considers the advantages and disadvantages of a variety of marketing tools and decides who will develop the tools, what information they will include, and what timelines they will follow to achieve each step. It also considers whether any bells and whistles might convey extra value, giving the agency an advantage over similar agencies.

Producers and agency management can work together to assemble lists of prospects that align with an agency's marketing plan. That list can include referrals from existing clients, but it also identifies qualified prospects in the target market. Among those prospects, producers plan steps to capture "low-hanging fruit" first and more difficult prospects later.

Once an agency has established its goals, defined its target market, and decided how it can distinguish itself from its competitors, it can then decide which marketing materials or formats will work best.

Printed Marketing Tools
- direct mail
- brochures
- newsletters
- advertisements

Digital Marketing Tools
- Websites
- social media
- agency's landing page

Effective Marketing Efforts
- Telemarketing
- TV and radio spots
- email blasts
- trade and community organization membership
- presence at trade shows
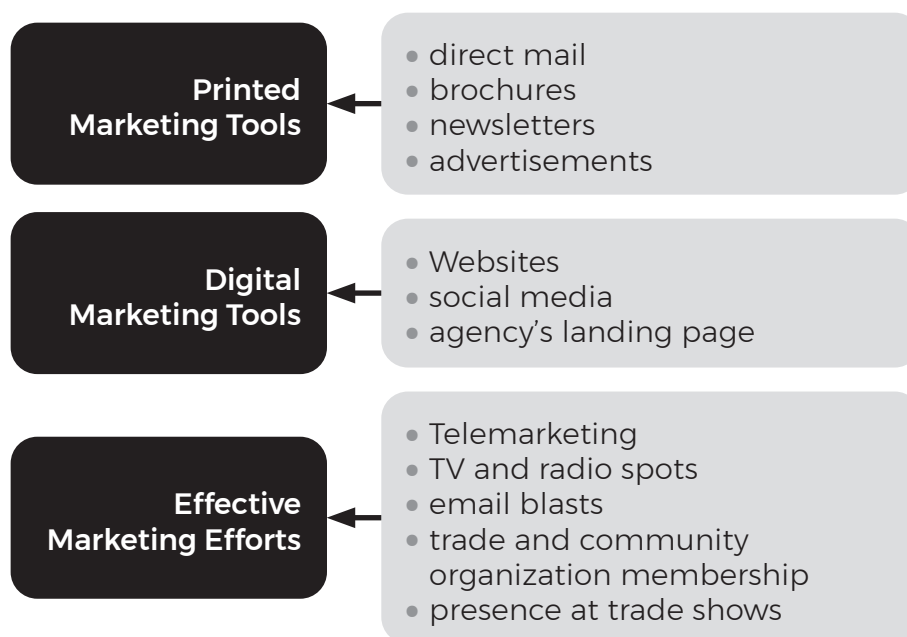
Consumers increasingly search online for options and for customer reviews. Agency websites and social media platforms can be effective tools for reaching prospective clients.

To be effective, an agency website should:

- be responsive to all types of devices, including laptops, tablets, and smartphones.

- be able to receive complete contact information, allowing for quotes or services.

- be refreshed frequently with new articles and content to keep customers interested.

- incorporate keywords that drive search engines like Google, Yahoo, and Bing.

A website can also be designed to provide service, a "convenience" factor that helps an agency retain its clients once they are secured. Possible client services include reporting claims, making payments, accessing certificates of insurance, requesting quotes, viewing policy documents, and contacting the agency.

Social media platforms are other avenues for effective internet marketing. Connections to potential clients exist on social platforms, such as Facebook, LinkedIn, YouTube, and Twitter. There are also tools such as HootSuite and Buffer that support numerous social media sites, making it possible to post simultaneously on multiple sites.

Successful marketing efforts generally take a balanced approach, using both traditional and digital marketing tools to reach prospective clients. Regardless of the tools, however, success is more likely if an agency follows a few tips.

Brochures
- Always proof before you print
- Be sure you have included critical information

Direct Mail
- Check your list for accuracy and completion
- Do a sample mail to determine its effectiveness before expanding your efforts

Advertising
- Know your niche and how to reach it

Laptop Presentations
- Avoid visually and textually heavy slides in a digital slide deck
- Use slide presentations as talking guides, not read-alouds

Telemarketing Scripts
- Use telemarketing scripts as guides, not hard-and-fast copy

Program-Specific Proposals
- Provide program-specific fact-finder forms
- Offer solutions, not apples-to-apples quotes
- Create point-of-comparison charts

Step 4: Applying Metrics

An agency can use metrics to create the goals that will lead to a marketing plan. It can also use metrics to evaluate the success of its marketing plan.

Prospecting activity should be measured regularly, with weekly measurements being the most desirable. An agency should analyze numbers related to:

- how much potential revenue is in the prospecting pipeline
- the number of calls resulting in appointments
- the number of appointments per week
- the number of appointments resulting in sales
- the closing ratio
- the number of closes per month

Step 5: Evaluating the Plan's Success

To have a successful marketing plan, an agency must constantly monitor its success. Using metrics to compare actual results with projected goals helps an agency evaluate the success of its efforts and make changes, if necessary.

A Summary of Steps to Marketing Success

To launch and sustain a successful marketing initiative, an agency:

- chooses a target market
- differentiates itself from its competitors
- acknowledges specific requirements for target segmentation, such as demographics
- establishes clear goals
- monitors and analyzes metrics to measure success
- uses measurement data to make adjustments along the way

▶▶ Knowledge Check

Directions: Describe a marketing tool you or someone in your agency created that was more successful than anticipated. Explain what made the tool so effective.

_____

_____

_____

_____

_____

_____

Build and Keep Relationships

Learning Objective:

3.3   *The participant will describe three components of a client-retention process designed to capture, improve, and sustain client relationships.*

Why Client Retention Matters

The value of client retention may be summarized by the words *income revenue*. It costs an agency more to gain new clients than to keep the ones it has.

The following tables reveal the impact of retention on revenue and profit.

Average Length of Time to Retain Client								
	Client Retention Rate							
	95.0%	90.0%	85.0%	80.0%	75.0%	70.0%	65.0%	60.0%
Average years to retain a client	13.5	6.6	4.3	3.1	2.4	2.0	1.7	1.4

Profitability of Individual Accounts								
	Client Retention Rate							
	95.0%	90.0%	85.0%	80.0%	75.0%	70.0%	65.0%	60.0%
Average Commission	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000
Lifetime Commission	$13,500	$6,600	$4,300	$3,100	$2,400	$2,000	$1,700	$1,400
Lifetime profit (@20%)	$2,700	$1,320	$860	$620	$480	$400	$340	$280

RETENTION = EASY $			
Effect of Attrition on a $1,000,000 Annual Revenue Book			
	15%	10%	5%
Total 10-Year Revenue	$5,354,126	$6,613,216	$8,025,262
Book Annual Revenues After 10 Years	$196,874	$348,678	$598,737

Build Relationships

Three guiding principles form the basis of a client-retention process.

1. Build rapport and trust
2. Provide quality customer service
3. Educate clients

Build Rapport and Trust

Every client wants to matter. Agency employees must show genuine interest and make it plain how important every client is to the agency.

Applying a few communication techniques can help assure clients of their importance. First, agency staff must listen. Even more important, they must listen to learn.

Second, agency staff must empathize. That is, they should consider each client's individual experiences and needs.

Third, agency staff should ask thoughtful, probing questions to clarify their clients' comments or concerns. Staff should use original words to restate their clients' responses to help assure them that their problems or concerns are understood.

The quality of every discussion is also important. In their discussions, staff should use friendly language, avoid insurance jargon, and display honesty.

Finally, agency staff should work to reach a mutual understanding of clients' problems — all while maintaining caring attitudes and culturally appropriate senses of humor.

Provide Quality Customer Service

Clients expect quality customer service. "Quality" is defined by the kind of personal attention they receive. Clients count on agency staff to:

- provide around-the-clock care
- take a positive approach to dealing with complaints
- offer a resolution to every complaint, even if the complaint is unfounded
- thank them after a service conversation. A thank you can be spoken or written. (In some circumstances, agency staff may offer gifts, if they are warranted. However, staff should check with their state's insurance department to determine permissible values. No gift should be considered a kickback, or rebate, and receipt of a gift should never be tied to making a purchase.)

Educate Clients

Another characteristic of quality customer service is education. Clients expect agents to understand the nuances of their industries, to continuously and frankly appraise their needs, and to protect them from exposures. Protection helps clients avoid or minimize claims. It also reduces the likelihood that competitors will entice clients to leave.

Cross-selling as a Client-Retention Tool

Client retention offers additional revenue opportunities. Taking advantage of these opportunities, or internal account development, includes cross-selling, or rounding.

Cross-selling is the process of extending a client's coverage by enhancing an existing policy or adding new policies. A client with an auto policy, for example, may purchase an umbrella policy, receiving expanded coverage while giving the agency an opportunity to expand revenue.

Once an agency knows its products and insurance companies thoroughly, it can take deliberate steps toward the goal of cross-selling. Automation may be helpful, as is client contact. An agency can, for example, choose to send direct mail or emails, or have account producers make phone calls. The purpose of any selected form of communication is to help the buyer buy, conveying the benefits of a new product. The success of this effort is rooted in the overall client-agency relationship.

Direct contact requires follow-up. Personal lines can rely on ongoing regular quarterly contact, and producers/account managers can attend to commercial lines. Every follow-up attempt should be evaluated for success. If an effort fails, it is important to know why.

Cross-selling deepens the relationship between clients and an agency. This relationship is an effective client-retention tool that increases an agency's profitability.

Distribution of Client-Retention Responsibilities

Responsibilities for client retention fall across every department within an agency.

An Agency Owner

An agency owner has overall responsibility for determining the scope of a client-retention plan and the tools required to measure the effectiveness of that plan. Owners can set measurable goals, create an action plan for reaching those goals, and provide training. The owner can also establish and communicate employee incentives, and measure, manage, and communicate results.

An Agency Producer, Account Executive, Account Manager, and Account Manager Team

Producers, executives, and managers can identify cross-selling opportunities by account and by product line. They should be prepared to prove the value of cross-sold products, justifying client need. They can also recommend products or suggest increased limits of protection, remaining unafraid of clients saying no.

Company Personnel

Company personnel work with numerous agencies. Their broad experiences give them insights that may be valuable to an agency's client-retention plan.

Preventing Loss

Because there are economic reasons for promoting client retention, it is important that an agency be aware of why clients tend to leave. Dissatisfied clients report leaving an agency because they:

- feel unappreciated or taken for granted by an agency and its staff
- believe that problems are handled ineffectively
- work with agents lacking the technological skills or tools required to provide adequate customer service
- experience ineffective adjustment of a claim, or simply, poor claims handling
- perceive better value elsewhere
- feel uncomfortable with changes within an agency, particularly the loss of a trusted agent
- are dissatisfied with a customer service representative, a producer, the insurance company, or the product
- experience personal changes that lead to change, such as new personal relationships, relocation, or employment changes

Knowing the reasons clients leave can be positive forces for change within an agency. Those changes can prevent the loss of clients and the profitable opportunities they offer.

Check for Success

An agency can collect and analyze data to know whether its client-retention efforts are working. Internal reports offer a wealth of information. Revenue reports, for example, show changes in revenue over specified periods of time. Cancellation reports provide pictures of an agency's success in retaining its clients.

An agency can also measure cross-selling results in terms of actual sales in relation to established goals. Measurements should be documented for errors-and-omissions purposes, as well as future sales opportunities.

Measuring the success of client-retention efforts allows an agency to know what is working and where further opportunities exist.

Knowledge Check

Identify and share a specific technique or strategy you have found effective in your efforts to provide quality client service and retain clients.

_____

_____

_____

_____

Determine Profitability

Learning Objective:

3.4 *The participant will explain how to determine whether an account is sufficiently profitable to write.*

Profitability and Expenses

Costs are attached to every account. Profitability is the "bottom dollar" after those costs are accounted for.

How can an agency determine if an account is profitable enough to write? The answer begins with a full understanding of expenses associated with providing products and services.

Some expenses such as rent or fixed equipment expenses are **hard costs.** Others such as providing employee training are **soft costs.** Consideration of soft costs makes it necessary for an agency to ask:

- Does the producer have the expertise to secure an account, or is a mentor required? A mentor takes time away from her/his own work, which affects prospecting and selling time.

- Is staff support required to secure a new client?

- What roles do validation and bonus schedules play in calculations of profitability?

Calculate Profitability

To determine the profitability of an account, it is necessary to know how much variable overhead (non-compensation expense) the agency has that is directly attributable to an account. Use the example in the next section to calculate the labor intensity of an account.

To determine a new or renewed account's profitability, it is necessary to calculate costs associated with the premium. This information can also be used to set agency standards. For example, determine the minimum account revenue that a producer would actually be paid commission and if an agency pays producer commission for personal lines renewals.

The following example assumes that fixed expenses have already been covered and that the producer is paid 40% commission for new accounts and 20% for renewals. Meanwhile, the agency wants a 10% pre-tax profit, and the account manager working on the account is paid $50,000 per year. How labor intensive is the account?

Example of Account Profitability - New Versus Renewal				
Account Profitability	**New Account**		**Renewing Account**	
Account Premium	$10,000		$10,000	
Commission Rate	12%		12%	
Total Commission		$ 1,200.00		$ 1,200.00
Overhead Percentage (Non-Payroll)	20%	$ (240.00)	20%	$ (240.00)
Producer Commission Rate	40.0%		20.0%	
Payroll Taxes	5.1%	$ (541.68)	2.6%	$ (270.84)
Subtotal		$ 418.32		$ 689.16
Desired Profit (as a Percentage)	10.0%	$ (120.00)	20.0%	$ (240.00)
Balance to Pay Account Manager		$ 298.32		$ 569.16
AM Compensation (Salary + Bonus)	$50,000		$50,000	
Payroll Taxes (7.65%)	$6,425	$56.425	$6,425	$56,425
Hours Per Year		2.080		2,080
Hourly Cost		$27.13		$27.13
Amount of time that can be spent on account while achieving desired profit	**11 hours**		**20 hours, 59 minutes**	

The Bottom Line

The time amounts that appear on the bottom line of the table indicate the maximum amount of time an account manager can spend on an account for the agency to remain profitable. In this example, if the account takes more than 11 hours to service in the first year, all profit is gone. The same is true in a renewal year if the account exceeds 20 hours, 59 minutes service time.

In some cases, a client may demand more attention than an agency can profitably provide. In such circumstances, the agency must decide whether to retain or release the client.

It is important to note that the profitability calculation does not consider the investment of time and money required to secure a new client.

Summary

An agency relies on its value, vision, and mission statements to build its brand. That brand makes it a stand-out in a competitive field.

Although a stand-out brand may attract clients, an agency must make an active effort to acquire clients. Those efforts include marketing.

Successful marketing efforts use both traditional and digital networking to reach prospective clients. In every case, the networking options reflect an agency's target market.

Once clients are on board, an agency must work to keep them. Retention relies on building rapport and trust; providing quality customer service; and inspiring client confidence through demonstrated expertise and education.

When it comes to writing and keeping new business, it's a numbers game. Consequently, an agency must know itself and its clients to become and remain profitable.

Resources

A Study Guide for this course is available for download at *scic.com/AMresources*.

Section 3: Self Quiz

Directions: Circle each statement that describes today's clients.

want round-the-clock access	trusting	careless with money	knowledgeable
slow to offer loyalty	educated	demand technological support	careful with money
expect personal attention	prefer to work with technology not people	quick to make decisions	seek support from real people when there's a problem

Directions: Complete the sentence.

The factors that bring clients to an agency and keep them there communicate the agency's _____.

Directions: List the five steps in a successful marketing program.

1. _____

2. _____

3. _____

4. _____

5. _____

Directions: Name four things an agency can do to identify a target market.

1. _____

2. _____

3. _____

4. _____

Directions: Put a check (√) mark next to each statement that poses a question an agency should ask itself to evaluate its resources.

☐ What other agencies pose the greatest competition?

☐ How well do account managers and producers work together?

☐ Does the agency have enough staff to handle a lot of new businesses?

☐ Do the target markets exist for new products?

☐ Do existing processes and workflows support success?

☐ Where is the "lowest hanging fruit"?

☐ How effective is the agency's contact management system?

☐ What marketing materials reach the most people for the least cost?

Directions: Use words from the word bank to fill in the blanks.

essential	limitations
growth	practical

While knowing its _____ before planning

a marketing program is both _____ and

_____, it also helps an agency recognize its opportunities for

_____ and where those opportunities exist.

Directions: Circle the word or words that complete each statement.

1. An agency's marketing plan begins with clear _____.

   actions   **goals**

2. An agency considers the advantages and disadvantages of a variety of
   _____.

   marketing tools   **bells and whistles**

3. An agency decides what _____ to include in their
   marketing tools.

   information   **timelines**

4. An agency considers whether any bells and whistles might convey
   _____.

   extra costs   **extra value**

5. Producers and agency management work together to create
   _____.

   a list of competitors   **a list of prospects**

6. The first target for a prospect list is _____.

   references from existing customers   **low-hanging fruit**

7. An agency decides which marketing materials or formats will work best after it has
   established its goals, defined its _____, and decided how it
   will set itself apart from its competitors.

   delivery method   **markets**

Directions: List four things an agency website should do to be effective.

1. _____

2. _____

3. _____

4. _____

Directions: Circle the "convenience factors" that a website can offer clients.

reporting claims	making payments	connecting to social media platforms
customer surveys	accessing certificates of insurance	requesting quotes
viewing policy documents	advertising	contacting the agency

Directions: Use words from the word bank to fill in the blanks.

advertisements	radio
brochures	social media
direct mail	telemarketing
email	trade
landing page	TV
newsletters	websites

1. Printed marketing tools include _____,
   _____, _____ , and
   _____.

2. Digital marketing tools include _____,
   _____, and the agency's _____.

3. Other kinds of marketing tools include _____,
   _____ and _____
   spots, _____ blasts, and presence at
   _____ shows.

Directions: Circle True or False.

1. An agency can use metrics to create the goals that will lead to a marketing plan.

               True   **False**

2. An agency can use metrics to evaluate the effectiveness of its marketing plan.

               True   **False**

3. The most desirable frequency for collecting metrics is daily.

               True   **False**

Directions: Order the sequence of metrics an agency should collect to evaluate the success of its marketing plan from 1 to 4.

_____ the number of appointments resulting in sales

_____ the number of calls that result in appointments

_____ the number of closes per month

_____ the number of appointments each week

Directions: Explain why an agency must constantly use metrics to monitor the success of its marketing plan.

_____

_____

_____

Directions: Write two words that summarize the importance or value of client retention.

          _____   _____

Directions: List three guiding principles that form the basis of a client-retention process.

1. _____

2. _____

3. _____

Directions: Circle the word or words that complete each statement.

1. Applying a few communication techniques can help assure clients of their _____.

    importance to the agency   **access to the right products**

2. When communicating with clients, agents should consider every client's _____ and needs.

    history with the agency   **experiences**

3. Agents should listen to _____.

    learn   **avoid missing important details**

4. Agency staff should ask questions to _____.

    clarify clients' comments   **repeat clients' comments**

5. Agency staff should reword clients' comments in order to _____.

    help clients feel   **help clients recognize**
    confident that   **the staff's expertise**
    they were understood

6. Staff should use _____ during discussions.

    insurance language   **friendly language**

7. While speaking with clients, staff should maintain _____.

    a sense of humor   **a sense of urgency**

Directions: Explain how clients define the term *quality* when it comes to customer service.

_____

_____

Directions: Use words from the word bank to fill in the blanks.

exposures	informed
claims	needs

Clients expect agents to be fully _____ and always

aware of their _____. They also expected to be protected

from _____. Protection helps clients avoid or minimize

_____. It also reduces the likelihood that clients will go to a

different agency.

Directions: Define the term *cross-selling* and explain why it contributes to client retention.

_____

_____

_____

_____

Directions: Name one way each of the following individuals or groups contributes to client retention.

1. Agency owner: _____

2. Agency producer or account manager: _____

3. Company personnel: _____

Directions: Circle True or False.

1. There are economic reasons for promoting client retention.

<div align="center">

True   **False**

</div>

2. An agency should focus more on why clients stay than why they leave.

<div align="center">

True   **False**

</div>

3. Knowing why clients leave can lead to profitable opportunities.

<div align="center">

True   **False**

</div>

Directions: Identify two kinds of reports an agency can use to measure the success of its client-retention efforts.

1. _____

2. _____

Directions: Complete the statement.

To determine if an account is profitable enough to write, an agency must have a complete understanding of

_____

_____ .

Directions: Draw lines to match each example to the kind of expense it represents.

rent

hard costs

employee training

soft costs

office furniture and machines

Directions: Put a check (√) mark next to each question an agency must ask when it is considering expenses related to soft costs.

☐ Does the producer have the expertise to secure an account?

☐ What technology is required to secure new clients?

☐ If a producer needs a mentor, how will the mentor's time away from her/his own work affect expenses?

☐ How will marketing efforts affect producer performance?

☐ Is staff support necessary to secure a new client?

☐ How do bonuses affect expense calculations?

Directions: Use words from the word bank to fill in the blanks.

directly attributable	premium
(non-compensation expense)	set agency standards

1. To determine the profitability of an account, it is necessary to know how much variable overhead _____ the agency has that is _____ to an account.

2. To determine a new or renewed account's profitability, it is necessary to calculate costs associated with the _____. This information can also be used to _____.

Directions: Explain what decision an agency must make if a client demands more attention than the agency can profitably provide.

_____

_____

_____

Section 4: Technology Utilization

Section Goal

Participants will gain the knowledge necessary to select, implement, and use specific tools and technology for the purpose of promoting greater efficiency and effectiveness in all areas of an agency. Equipped with this knowledge, participants will be able to successfully support their changing business environments, build foundations for profitable growth, and foster positive interactions.

Learning Objectives:

4.1   *The participant will identify five benefits of technology and five levels of utilization in an agency.*

4.2   *The participant will describe the steps of the internal needs assessment process used to determine whether an agency should upgrade or convert its technology in order to meet agency goals.*

4.3   *The participant will describe the relationship between standards, procedures, and workflows and how they affect efficiency and support an agency's brand.*

4.4   *The participant will define the kinds of information an agency puts into a database and describe how it protects the integrity and security of that database.*

4.5   *The participant will identify the benefits and challenges associated with agency technology tools, including an agency's information management system, downloading processes, and rating systems.*

Introduction to Technology Utilization

Technological Trends

The term *InsurTech* refers to the application of technology innovations aimed at reducing costs and increasing efficiency across current industry models. Today, companies that drive InsurTech see opportunities for applications within the insurance industry.

In a recent survey of how InsurTech affects daily activities in the insurance industry, only 30% of attendees at an Agency Management course indicated that their work had been influenced by InsurTech. But following a discussion of the variety of forms InsurTech can take, including software, hardware, and wearable devices, the percentage of affected individuals increased dramatically. 100% of attendees recognized the influence of InsurTech upon their daily operations.

InsurTech reaches every aspect of the insurance industry. For example,

claims handling

- understanding workplace behaviors
- virtual walk-throughs
- telematics (e.g., tracking driving behaviors)

risk management

- calculating the estimated cost of repairs
- evaluating cause and effect from a loss

new business onboarding

- reducing the number of questions asked (e.g., third-party information integration)
- paperless transactions
- electronic delivery
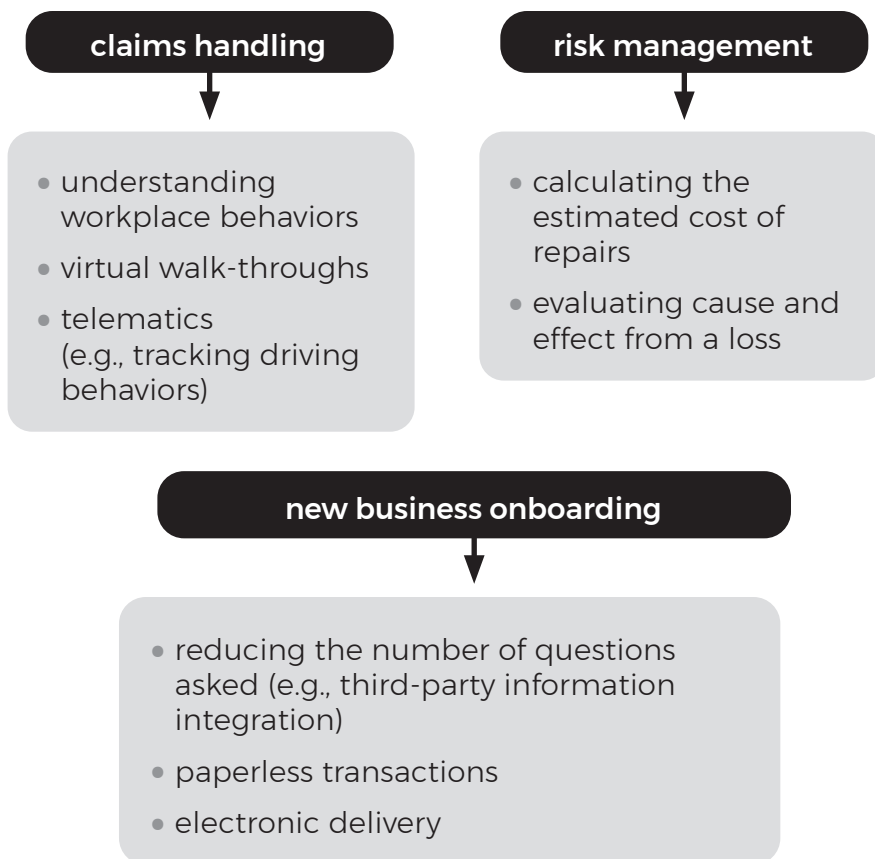
Levels of Technology Utilization

Learning Objective:

4.1   *The participant will identify five benefits of technology and five levels of utilization in an agency.*

The Value of Technology

Because technology is critical to an agency's success, it is an area in which an agency can model a culture of constant improvement. For the sake of increased productivity and effectiveness, it is necessary for an agency to be both aware of its technological tools and how those tools build value and improve overall performance.

Technology increases revenue.

Technology allows any given number of people the ability to process more transactions. That, in turn, enables per-person revenue to increase at a greater pace than the rate of individual compensation.

Technology allows measurement.

Technology also allows control over activities, making it possible to measure performance, thereby reducing mistakes and errors and omissions (E&O) exposures. Technology provides an opportunity for consistency, and it is consistency — conducting workflows the same way every time — that reduces potential exposures. However, without proper oversight and management of activities, technology can create E&O exposures faster and more easily.

Technology improves the customer experience.

Technology helps an agency respond to customers' needs and expectations through:

- instant access to information
- the standardization of agency procedure
- multiple methods of communication
- the collection and analysis of data that can then be used for forecasting, or predicting, customers' future needs

Communication allows agency staff to focus less on transactions and more on consultative customer service. Customers accustomed to tech-based relational communication such as live chat, texting, and portals see these technologies as a means of social connection. They also make immediate responses possible, a much-desired feature for many users.

Clients less familiar with technology may need time to learn. Once they are comfortable with technology, however, the stage is set for creative and effective interaction. Agents might, for example, use tools such as Skype, Facetime, and interactive whiteboards to enhance conversations with clients or to review insurance documents.

Technology helps build a consistent experience.

An agency can use technology to manage its brand by providing similar experiences to both its employees and its clients. Controlling the experience contributes to greater efficiency, and greater efficiency leads to greater employee and client satisfaction.

Consistent experience comes from invariable practices, meaning everyone does the same thing, the same way every time. Invariable practices improve experiences for employees and clients, but they are also critical in defending E&O claims. In many states, evidentiary statutes put the burden of proof on a plaintiff if the defendant can show that it follows standard practices.

Technology offers flexibility.

Because technology makes it possible to standardize workflows, employees have the opportunity to work from any location. Technology also opens the door to individual training opportunities, helping employees identify training needs and also making it possible for that training to be delivered in different ways.

Technology can increase employee satisfaction.

Appropriate technologies, along with other agency practices, can help staff improve workplace processes. This then helps reduce overall stress, making the work environment more pleasant and productive. Less stress and a more enjoyable work environment lead to fewer sick days and less employee turnover.

Use the **Technology Utilization Assessment Tool** in the Exhibits section of this book to evaluate how you and/or your agency handles workflow.

The Five Levels of Utilization

The term *utilization* refers to making practical or efficient use of something. It is not an agency's specific technology or management system that determines utilization. It is the level at which these items are implemented. Implementation includes employee support, back-office support, sales support, and customer service. There are five levels of technology utilization. Where does your agency fit within those levels?

Level 1 — Essential Utilization

At this level, technology is used minimally. There may be workstations, phones, and other technology in place. There may also be an agency management system. However, only the basic features of these tools are being used. Systems are not integrated, and much of the technology simply replaces activities previously handled manually. At Level 1, agencies are not dependent on their systems to conduct business.

Level 2 — Defined Utilization

An agency at Level 2 begins to define workflows and procedures that provide the most practical and effective use of technology. However, even with defined workflows and a general understanding of how technology will be used, use of what is available is inconsistent. While some employees use the systems, there are no methods in place to measure this use and its impact upon the agency and its customers.

An agency defines the minimum amount of data it is required to collect. It also defines and automates basic workflows. It has data integration with carriers, but integration is not fully implemented. Nor is it clear how technology impacts the workflow.

Level 3 — Managed Utilization

At the Managed Utilization level, workflows and technology use are managed to provide strategic and reliable processes that begin to focus on customer needs. Workflows are structured and begin to have consistency to support the agency. Productivity is measured, and technology use is audited. An agency's defined use of data is now being managed in that it is not only defining the detail but managing data quality. Systems are integrated so that phones and other communication forms work with an agency's management system. Client support is provided through websites. Email is managed for greater efficiency.

Level 4 — Quantified Utilization

At Level 4, an agency begins to measure the value and efficiency it receives from technology implementation. There is a focus on staff productivity and how they can provide the best service to their clients. But there is also a focus on how staff manage the agency's short- and long-term goals. Measuring results and quantifying how they affect an agency in the most favorable way becomes a high priority. Technology is used to track sales activity, and accounting responsibilities have automated.

To provide the best and most dependable statistical information and to make that information useful in providing customer service and employee support, data quality becomes a high priority. This emphasis on quality runs throughout the agency, from the receptionist to the agency principal. Technology integration becomes seamless. Customer service focuses on the needs of the customer, not the agency.

Level 5 — Optimized Utilization

At this level, an agency reduces the overall employee burden. Technology is used to conduct more of the various tasks of running an agency. There is less non-productive time spent on processing workflows. Instead, employees spend more time managing and measuring the quality of activities that affect customers, including hands-on time and workflow processes.

The focus also goes beyond the customer to determining the most efficient operations available for all the tasks of running a business. This includes back-office support.

Technology is highly integrated. Communication systems are integrated with management systems. Customers are provided with multiple methods for communicating with the agency, including phone, online chat, and web access. An agency thinks about how their customers want to work with them, and the agency centers its attention on meeting expectations at the point of contact.

Moving from one utilization level to the next must be done incrementally. In other words, there is no practical way to jump from level one to level five. Forward movement is accomplished through careful planning and realistic goals and time frames. It also comes with accepting that challenges will undoubtedly occur along the way.

There are four big-picture steps for moving from one technology level to the next.

| Build the base. | → | Establish the "Agency Way." | → | Measure for success. | → | Move to the next level. |
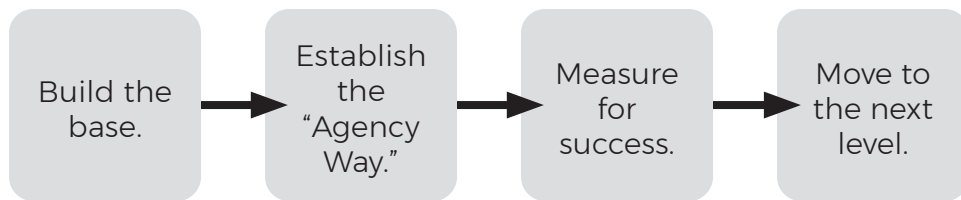
Knowledge Check

Use your own words to describe the main features of each of the five levels of utilization.

Level 1	Level 2	Level 3	Level 4	Level 5
Essential Utilization	Defined Utilization	Managed Utilization	Quantified Utilization	Optimized Utilization

Conducting an Internal Needs Assessment

Learning Objective:

> 4.2   The participant will describe the steps of the internal needs assessment process used to determine whether an agency should upgrade or convert its technology in order to meet agency goals.

A Part of the Solution

Technology is driving how insurance is sold and serviced, meaning it is transforming each agency's business model and operating procedures. These transformations are solutions to changes and disruptions within the industry. At the same time, they increase an agency's customer base and subsequent profitability.

Regardless of specific disruptions within an agency, technology is not simply part of the solution. It is at the forefront of an agency's plan.

Upgrade or Conversion?

A technology **upgrade** involves moving from one version of a management system to another and/or adding an additional product to an existing system. It is less invasive than a technology **conversion**, which moves from one product to another.

An agency must consider which is wiser — an upgrade or a conversion. The answer may come from a thorough examination of how fully the agency uses its current system. If the system is underused, changing it will be of little or no value.

Conducting an Internal Needs Assessment

An agency's business model and its desired future take center stage during an internal needs assessment. Technology decisions are strategic decisions. They reflect what an agency wants to achieve overall, its specific objectives, and how technology aligns with those objectives.

Conducting an internal needs assessment helps an agency determine its technological needs in terms of goals and objectives. The assessment examines all technological tools and how well they are combined and integrated into an agency's business model. An assessment requires an understanding of what the agency wants to achieve and who the biggest winners will be.

Here are the steps in the process of conducting an internal needs assessment:

1. First, establish time-related goals. Where does the agency want to be 3 months/6 months/1 year/18 months from now? What is required to reach those goals? For example, is it necessary to convert or upgrade old systems, conduct an internal audit of the database, or set up and sustain training?

2. Next, develop a set of questions and answers to guide the thinking, research, and decision-making processes related to whether to upgrade or convert to a new system. Possible questions include:

    > ► What is there to gain?
    >
    > ► What is there to lose?
    >
    > ► How does it affect the agency - company - client interface?
    >
    > ► What is the per-user cost?
    >
    > ► What can the agency do better than its competitors and remain relevant?
    >
    > ► How can an agency use its limited resources to make a difference and push the agency forward?
    >
    > ► How do an agency's technology choices translate to value for their customers and carriers?
    >
    > ► What are some technological problems that can be resolved through different technology choices?
    >
    > ► How much business is lost due to these technological problems?
    >
    > ► How can an agency create a culture of constant improvement?

3. Make a checklist of things to consider during the internal needs assessment, such as current and future needs. A current need, for example, might be to provide a single management system across multiple offices or vendors, while a future need might be to prepare for a merger or acquisition. (Although the best practice for any agency is to institute a single management system, an agency may have the need to support multiple systems or even multiple systems in multiple locations.)

Technology Assessment Focus	
☑	current needs
☑	future needs
☑	costs, both hard and soft
☑	consideration of the pros and cons of upgrades versus conversion
☑	consideration of having one system across multiple offices
☑	consideration of multipurpose solutions, such as using technology for accounting and sales management systems
☑	mobile access
☑	functionality across platforms (e.g., phones, printers, and scanners)
☑	security issues
☑	system access, e.g., setting group access, eliminating multiple passwords, and possibilities for future collaboration
☑	input from employees, including producers, managers, and employees across office locations
☑	required staff training, estimations of training time and non-productive time related to learning a new system
☑	considering the time and effort required to clean data
☑	relying on software or Cloud solutions
☑	reporting (i.e., evaluating a new system's reporting capabilities)

4. Plan for a commitment to training. Workforce planning and processes are necessary to implement every technology solution. Employees need both practical and technical training, making it necessary to plan and budget accordingly. Initially, a new system is likely to cause as much as a 50% loss of production.

5. Decide whether to upgrade or convert. Then consider what technology will get the job done. Find out what is available and who can provide it. In the search, seek peer-to-peer recommendations, consult current vendors, conduct internet searches, participate in industry forums, visit industry websites, and attend sales demonstrations.

    While gathering information, think in terms of each tool's tracking features. Sales staff, for example, may benefit from tools that track prospects, while managers may use tracking features to analyze customer retention.

Despite what agency staff are told, changes are rarely "smooth." So, the decision process should include preparations for unexpected challenges.

While there are different features for different staff for different purposes, and while no transition is trouble-free, the overall goal is the same. All agency employees rely on technology to manage workflows and tasks, to prevent errors and omissions, and to build and sustain positive customer relationships.

6. Finally, assemble information and data collected in the previous step in a comparison chart. While trying to form a big picture of an agency's technology choices, staff should look for warning signs that specific technologies or vendors may not fulfill their promises or meet an agency's needs.

Consider the Costs

Both upgrades and conversions come with hard and soft costs. **Hard costs** are the costs of providing physical tools and spaces for those tools. **Soft costs** are the costs attached to the services required to implement technology. Examples include training, productivity losses which result in backlog, singular touch versus multiple touch processes, naming conventions for reference purposes, auditing, and reporting.

Today's platforms tend to be plug-and-play, meaning systems can be removed from packaging and put to work with little effort.

The term *Cloud*, or *Cloud computing*, describes the use of remote servers hosted on the internet to store, manage, and process data. The Cloud provides an alternative to storing information on a local server or on office computers, making it a soft-cost solution to technology use. In addition to offering off-site data storage, the Cloud's pay-as-you-go format is constantly updated for users.

In-house data storage such as a server is a pay-at-once investment, but it requires updates. An insurance agency may not also want to be a technology business. The benefits of relying on a third-party information storage and maintenance vendor may go beyond monthly costs.
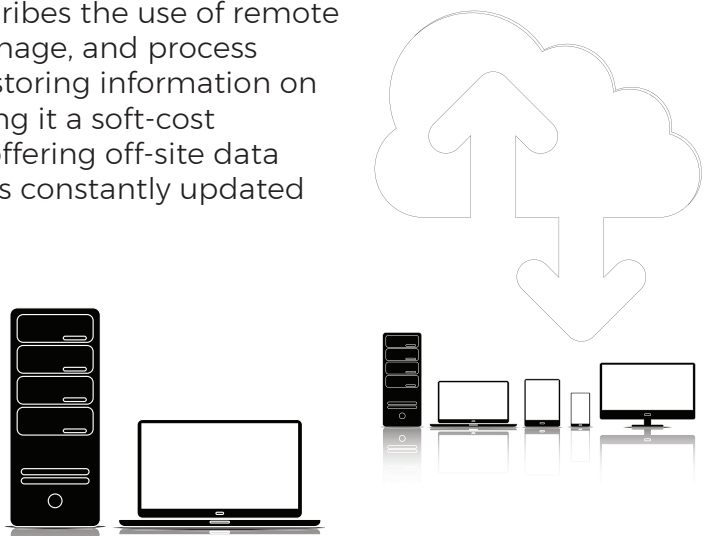
In addition to the budget considerations posed by internal versus external data storage and management and hardware/software upgrades versus conversions, there are other costs associated with technology selections. They include the costs of:

- in-house training, both in hiring fees and staff time
- follow-up training
- auditing the current database in preparation for a conversion
- auditing current procedures and workflows
- updating workflows and procedures
- unanticipated downtime for IT issues

Making Everyone a Part of the Change

After an upgrade has been accomplished, consider that not everyone within an agency may have been familiar with the previous system. Producers, for example, may have had little or no experience with the system.

In today's agencies, however, most employees, even producers, work within an agency's management system, inserting data at the earliest stages of client interactions. Submissions at initial points of contact are neater and more complete when producers are thoroughly familiar with the agency's information management system. Producers may initially require more training to learn how to work within a management system, but the training leads to greater productivity, improving workflows across the agency.

Considering Compatibility
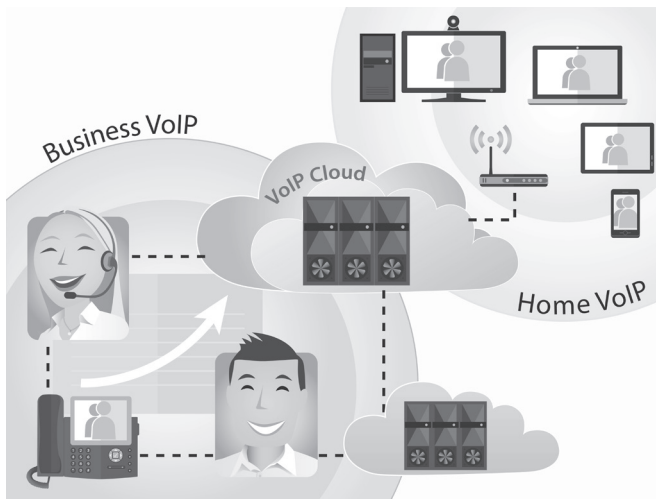
In today's agency, systems must be compatible with VoIP (Voice over Internet Protocol). **VoIP** is the delivery of voice and multimedia data over networks, such as the internet.

Within an agency, equipment such as printers, scanners, and telephones must be integrated and compatible for effective communication. Even core office programs such as versions of Microsoft Office may need to be upgraded or downgraded to make them compatible with an agency's VoIP system.

In addition to software compatibility, an agency must consider device compatibility. Its system, for example, must be able to work with tablets and mobile devices.

System Access

Because employees must have appropriate technology access to complete their responsibilities, an agency may find it more practical to assign system access not by individual positions but by groups, such as CSR. Group access is then granted to individuals within the group. This allows an agency to narrow access without limiting individuals' ability to work effectively.

Access to third-party resources such as SignOn Once, an insurance industry project, allows third parties such as insurance companies to access an agency's management system. This "trust agreement" allows multiple organizations to connect to the agency's system in a single and secure sign-on process.

Cleaning Data

Most agencies attempt to organize their documentation before upgrading or converting their data management systems. An agency begins by validating its information, or "cleaning up" its data before making any system change. Stray, or misplaced, information is put in its proper place.

Cleaning data before an upgrade or conversion has two valuable consequences. First, it makes the change process far more efficient and less difficult. Second, it provides data integrity. When agency staff generate reports, those reports will be based on accurate data. Only when data are accurate do reports have any usefulness.
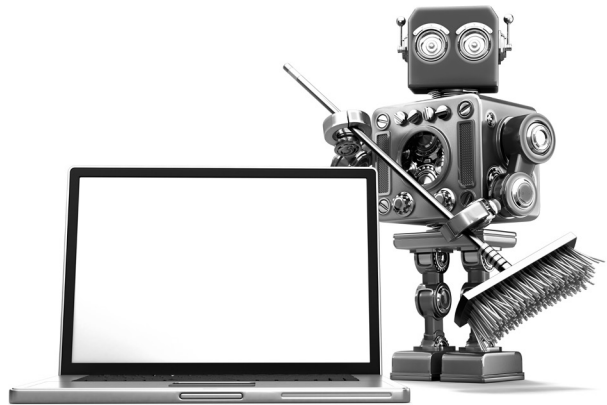
Reports

A new system may have different search and report formats. An agency should pay attention to existing formats before making a system change. It is possible that system integration will require reporting customization, which may lead to additional costs or questions of whether data can be extracted at all.

An agency needs to understand the features of its new system before it can move forward. An agency must modify its workflow procedures to take advantage of its system's new functions, compatibilities, and capabilities.

▶▶ Knowledge Check

Directions: Identify three factors your agency should consider before moving forward with a decision to upgrade or convert its data management system.

1. _____

2. _____

3. _____

Using an Operational Assessment to Improve Workflows

Learning Objective:

4.3 The participant will describe the relationship between standards, procedures, and workflows and how they affect efficiency and support an agency's brand.

Providing a Focus

Multitasking, or taking on numerous tasks at once, is frequently encouraged or even demanded in the workplace. However, research suggests that multitasking leads individuals to believe they are accomplishing more than they are.

Multitasking dilutes an individual's focus, reducing the person's effectiveness. Built-in workflows, on the other hand, provide a strong and singular focus.

An agency — not its vendors — should be in control of its own operations, or workflows. And those workflows should be consistent. Consistency is not a matter of implementing a "right," or even "best" workflow. It is a matter of creating invariable practices, that is, doing the same thing the same way every time.

Creating Standards, Procedures, and Workflows

A simple statement summarizes the value of processes and workflows — It's all in the touches (the number of keystrokes).

A **standard** is a stated, acceptable level of performance in every area of an agency's operations. Performance builds an agency's brand.

A **procedure** clearly defines the things an agency must do or accomplish to achieve a stated standard. Each component of a procedure identifies *who* is responsible, *what* needs to be done, and *when* it should be completed.

A **workflow** describes the specific keystrokes and steps employees need to perform to complete a procedure.

STEP 01
01
STEP 02
02
STEP 03
03
STEP 04
04
100%
100%
100%
100%
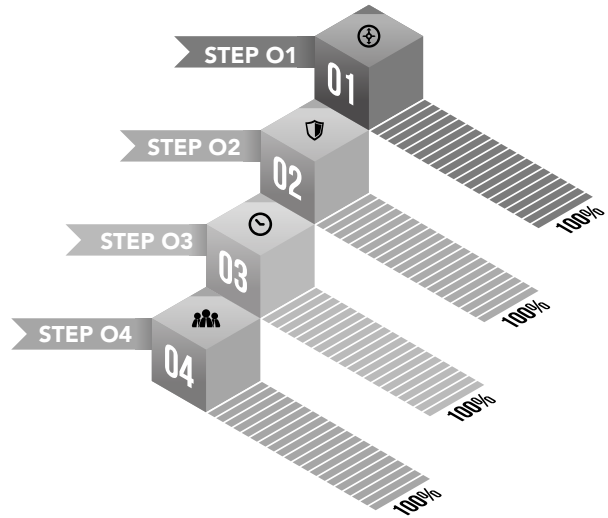
The Benefits

There are numerous benefits attached to developing and implementing standards, procedures, and workflows. Together, they:

- optimize time use (Remember, keystrokes equate to money!)
- provide a benchmark for measuring compliance, productivity, and effectiveness
- promote consistency, thereby reducing mistakes and errors and omissions exposures
- provide a data set to help an agency plan, market, grow, and make better decisions.
- identify the need for change, training, and opportunities in both the technological and human resource areas

Conducting Operational Assessments

To ensure effective agency operations, or implementation of standards, procedures, and workflows, it is helpful to conduct an operational assessment. An operational assessment helps an agency:

- support its core value and mission
- ensure consistency and adherence to agency standards, procedures, and workflows
- identify "glitches," or problems that need correction
- identify opportunities to enhance the use of existing systems or to expand functionalities
- compare agency productivity levels to peer agency groups
- indicate whether an agency maintains a competitive edge among peer groups

- support the services an agency provides to its customers
- provide justification for adding functions, increasing capacity, identifying when to move to the next level, or when to replace/update current hardware/software
- identify training needs, redundant procedures, and opportunities to reduce key strokes by setting defaults in systems
- measure employee and technology productivity

How to conduct an operational (workflow) assessment:

1. Identify your current workflows.

2. Look for inconsistencies.

3. Determine hands-on and elapsed time for various activities.

4. Use the information gathered in Steps 1-3 to change your procedures and improve efficiency.

Keeping Employees Informed

The purpose of operational assessments is to help agencies improve, not to evaluate individual employees. To avoid potential misunderstandings and to maximize the effectiveness of an operational assessment, inform employees and conduct the assessment in accordance with 1) fair employment acts and 2) the description of the process in the agency's Employee Manual.

Trained and reliable individuals are needed to lead an operational assessment. Assessments should be applied consistently across departments and job descriptions. Assessment results should be communicated to all staff in general terms and include solutions, staff recommendations, and training opportunities uncovered by the assessment process.

The findings of each assessment should be documented fully and carefully. Afterward, there should be a commitment to following through with solutions. Both during and after an operational assessment, take time to acknowledge and praise employees' successful work.

Staff Stratification, or Making the Most of a Team

During the operational assessment, take time to consider who does what within the agency. It takes a variety of people in a variety of roles to make an agency successful. Every individual makes a critical contribution, so when conducting operational assessments, consider sensible options for saving money and time without sacrificing efficiency.

The lowest paid employees are often the foundation of an agency's success. They provide the scaffolding on which growth builds. Whenever possible, transfer work to employees working in the lowest cost level capable of handling the work in a satisfactory manner.

Delegate routine tasks to the least experienced employees and the most complex tasks and critical accounts to the most experienced employees.

As employees gain expertise with routine tasks, increase the complexity of assigned tasks to increase the challenge. And when the time is right, promote from within. Otherwise, an agency runs the risk of training its competitors.
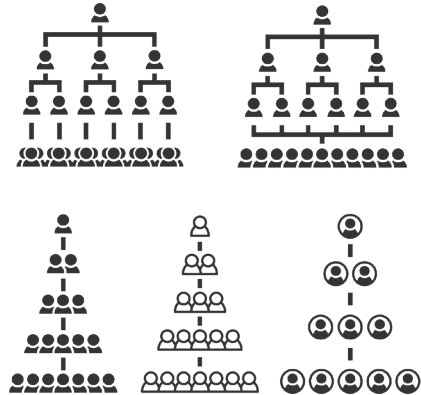
▶▶ Knowledge Check

Directions: Explain the relationship between standards, procedures, and workflows.

_____

_____

_____

_____

Information Management

Learning Objective:

4.4   *The participant will define the kinds of information an agency puts into a database and describe how it protects the integrity and security of that database.*

Information Management

Information management is the sum of two factors:

Information Management   **= (Complete Database)**

+ (Document Management)

A complete database provides searchable data, such as records of phone conversations, downloaded information, and eDocs and messages — all of which are not necessarily contained within physical documents. Managed documents can be pulled and used for support of information extracted from a database.

Effective and successful informational management relies entirely on electronic documents and databases. However, there is a good reason for the familiar G-I-G-O axiom: "Garbage In/Garbage Out." The quality of the information in an output such as a report depends entirely on the quality of the information put into the agency's database. Without data integrity, other functions are entirely unreliable.

A Few Information Management Tips
Track why and how frequently printed, or "hard copy," documents are required.
Populate all database fields.
Refrain from hijacking fields for other purposes. This causes problems when systems are updated or converted, or when reports are generated.
Take time to develop, learn to use, and complete the Full Client Detail in a database.
Apply proper procedures and naming conventions.
Avoid transferring critical e-mails into folders, which are the equivalent of paper in-boxes that must eventually be emptied and properly filed.
Keep databases up-to-date and accurate.

Collecting and Managing Client Information

An agency's success is customer driven. Consequently, an agency must dedicate itself to collecting and managing client data thoroughly and carefully.

Begin by assembling a basic profile of each client, or client detail. This includes a name, address, a phone number, and an e-mail address.

Then collect basic policy information, such as policy type and number, status (e.g., new, renewed, canceled), effective dates, and premiums. Collect specific information related to the customer's coverage. Create a declaration page that populates the application. Include type of coverage, limits, deductibles, co-insurance, level of coverage (e.g., basic, broad, special), endorsements, and risk-specific exclusions.

Next, gather complete policy underwriting information. This information might be in a data format, opening it to analysis and extraction. Elements, or layers, of an electronic file include:

- Client Detail
- Contact Detail
- Billing Detail
- Application Detail
- Claims Detail and Attachments

Stair-step data input into the agency's management system.

| Basic client detail | → | Contact details | → | Policy details | → | Coverage details |
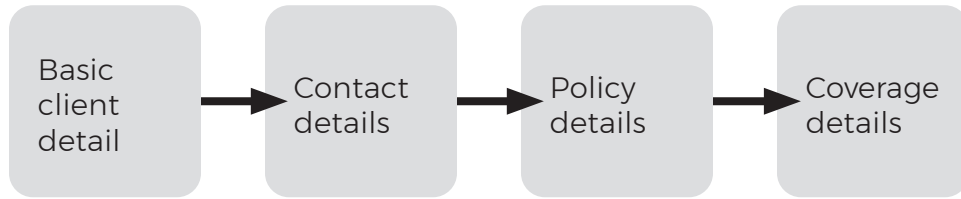
The following table lists examples of the kinds of input data agency staff enter into an agency's management system.

Examples of Input Data	
coverages/limit recommendations	association requirements (e.g., in the case of condominiums)
reductions and rejections	information regarding flood elevation
drivers and their driving records	claims information
construction	submission information
appraisals	NAICS and SIC codes
evaluation worksheets	classification codes
business income worksheets	employee lists
property update information	ISO-specific rate worksheet and engineering reports
full policy schedules (could be done through DL, document management, and at the portal level)	statement of values
contractor's equipment schedules	vehicle, jewelry, and other schedules

⚠ Complete every client profile as completely as possible.

Because data should flow downstream, an effective workflow process begins with collecting client data. Additional data follow. But when employees start work in the middle of the workflow, data backflow becomes necessary.

Working backward is a costly and cumbersome choice. In some cases, knowing it is necessary to go back to the beginning to fill in missing data, some agencies will take shortcuts, ignoring the need for backflow entirely. As a result, data integrity is lost.

Electronic Document Management

The term *document management* refers to handling documents produced or saved online in electronic formats. Electronic documents include those created entirely online, as well as paper documents that have been scanned and converted into electronic form. Document managers use database systems to organize, save, and search for documents.

Document managers ask themselves several questions to manage documents effectively. These questions are often asked and answered from a legal perspective.

How should users label document & information?

Where and how do documents & information reach or leave the office?

How do users access documents & information?

Questions to Ask

What format should documents be in?

How do users back up documents and information?

How should documents be stored and for how long?
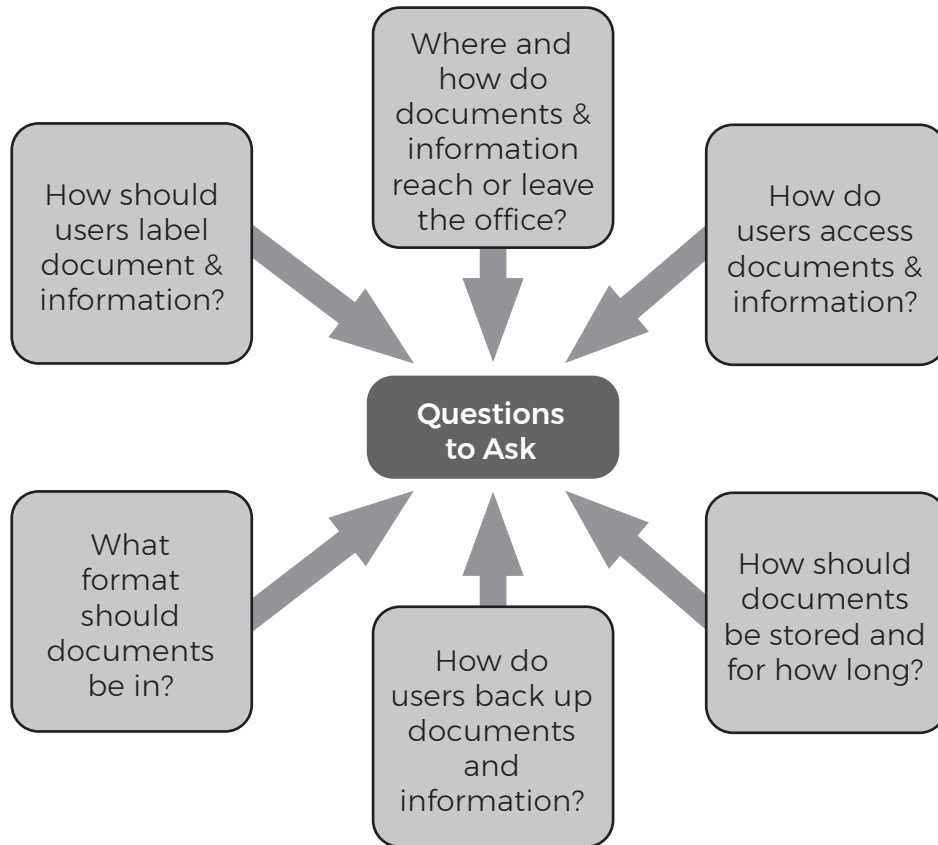
An agency has opportunities to collect, store, and manage a variety of electronic documents, including:

E-mail (including client e-mail) Which e-mails should be stored? Where? Document managers receive and send e-mails with attachments, as well as hyperlinks to other locations or documents. It is important to ask *when* attachments and hyperlinks should be attached to emails.
Carrier-generated documents, such as policies and endorsements. These documents may reach an agency as PDF attachments, on a CD or DVD, or from captures from a carrier's website or policy portal.
Electronic and paper faxes
Regular paper mail that is scanned and converted to digital form
Photos
Other means of communication, including voice-mail, audio files, instant messaging transcripts, and text messages
Formal reports

Document Management Workflow Methods

Agencies often combine early- and late-capture methods to manage in-house documents.

Early Capture — Front-end Scanning

The Early Capture method "captures" all incoming documents once they reach an agency. Documents are then transferred electronically to storage, attached to client files, and/or communicated electronically to a staff member.

Late Capture — Back-end Scanning

In the Late Capture method, documents are processed and then scanned. After scanning, they are distributed to individuals within an agency or to a vendor for electronic "filing," or storage. Each document requires a cover page, which may include a bar code. Original paper documents may be shredded after processing is complete.

Personally Identifiable Information (PII)

Each state defines Personally Identifiable Information (PII) slightly differently. Document managers must be familiar with their states' requirements. In some states, the following information would be classified as private information:

Personally Identifiable Information	
First and last name	Home address
First name "initial" and last name	Health records
Social Security number	Passwords
Birthdate	Veteran and disability status
Credit card information	Student information

Protecting Client Data

An agency should be aware of the kinds of personal information it maintains. For example, does the agency collect and store personal, financial, asset, and health information?

To protect client data, an agency should minimize and purge. In other words, only acquire necessary information. Only keep what is needed. And purge unnecessary information as soon as possible.

Once an agency determines which information it must keep, it must then take steps to protect that information. There are numerous ways to "lock" client data. They include physical locks, controls upon internal and external access, and password management.

Encryption, the process of encoding data to protect information from unauthorized access, also contributes to data safety. Encryption occurs during document transmission and communication via e-mails and mobile devices. Encryption can also be applied to information stored on computers, phones, and portable devices, such as tablets.

Knowledge Check

Directions: Describe and share what you find most useful or valuable using the information management system at your agency.

_____

_____

_____

_____

The Benefits and Challenges of Information Management Systems

Learning Objective:

4.5 *The participant will identify the benefits and challenges associated with agency technology tools, including an agency's information management system, downloading processes, and rating systems.*

A Means to an End

Given the speed at which technology is evolving, individuals, whether clients or agency representatives, must establish a variety of relationships with technology. The most practical point of view for everyone might be to embrace technology as a means to an end.

Benefits and Challenges

Within an agency, technology offers both benefits and challenges.

Benefits	Challenges
Expedites processing time on routine requests

Improves data quality and minimizes "human entry error" at the company level

Saves keystrokes by allowing information to be entered only once

Reduces error-and-omission exposure by reducing the possibility of data entry errors | Workflow not supported by all insurance companies

Agency needs different workflows to work with insurance companies that do not support bridging |

Bridging

Agency employees input, or enter, data into the agency's electronic management system and then bridge, or send, that information electronically to the company system. This data can include new business, policy changes, claims, messages, and more.

Downloading

Downloading is the process of transferring information electronically from an insurance company database to an agency management system. An **initial load** is the one-time loading of a new or existing agency management system from a specific company. Then up-to-date billing information, policy detail, and claims information are entered into the agency database when the agency processes the company download each day.

Benefits

May reduce agency processing work by more than 30%

Workflow begins in an agency management or comparative rating system.

Reduces error and omission exposure by reducing the possibility of data-entry errors

More carriers provide support for personal lines downloads.

Challenges

Making downloads work correctly. Download failures can lead to problems, such as data overwrites.

Failure to conduct daily download audits may result in undiscovered errors or glitches that compromise the integrity of the agency's database.

An agency may need different workflows to work with carriers that do not support uploading, or bridging.

Not all commercial line downloads are supported by all insurance companies.

Rating Systems

A **comparative rating system** is a third-party, or vendor, rating program that enables an agency to obtain accurate risk quotes from several carriers. To work properly, the system must be supported by the carrier and updates must be initiated, implemented, checked by the carrier and the vendor, and spot checked by the agency.

Benefits

Can efficiently obtain multiple company quotes for a prospect with a single application

Reduces the number of keystrokes required to obtain a premium quote

Allows wrapping a submission with all the necessary data to acquire a rate

Challenges

Depending on the vendor, a rating system may not provide an underwriting review or necessary reports.

Systems are primarily available for personal line policies.

There is an additional cost to an agency.

Rating assumptions are not always realistic.

Employees may require additional training to become comfortable with a new system.

Company Proprietary Rating Systems

Insurance companies and agencies may provide portal access to **proprietary rating systems**. Access to these systems requires the use of log-ins and passwords.

Benefits	Challenges
Often includes underwriting approval/declination capabilities	Agency employees must enter risk data manually into a carrier system to obtain quotes, and even after entering the data, risks may be unacceptable.
A rating should be up-to-date and accurate	If an agency wants quotes from several carriers, each carrier's proprietary system must be accessed, and data must be re-entered.
In the event of a technical glitch, a company will normally stand by its quote.	Both producers and CSRs sometimes circumvent an agency's management system, going directly to a carrier's site. This compromises the integrity of an agency's documentation and prohibits agencies from obtaining true "sales pipeline" results.

Real-Time Transactions

Because each carrier and agency system speaks its own language, it may feel that interpretation is required. Several agency management systems allow for the use of products which interpret and transfer data from an agency management system to the carrier system, thus allowing the agency to use only a few keystrokes to enter client detail on its own system and then upload the information to the carrier's proprietary system.

Currently available transactions include:

- Billing Inquiry
- Policy Inquiry
- Claim Inquiry/Loss Runs
- Endorsement Processing
- Rating

Summary

As you'll recall, there are five Levels of Utilization:

Level 1 Essential Utilization	**Level 2** Defined Utilization	**Level 3** Managed Utilization	**Level 4** Quantified Utilization	**Level 5** Optimized Utilization

And there are four steps for reaching Level 5, the Optimal Level.

Build the base.	Establish the "Agency Way."	Measure for success.	Move to the next level.
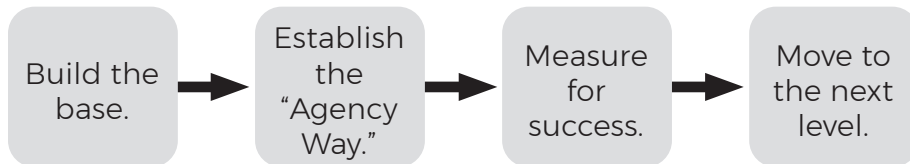
To begin, an agency must first identify the level of efficiency at which it is currently operating. Then, using a checklist, the agency should identify areas that require updating or completing. Moving incrementally from one level to the next is a more successful strategy than moving immediately to Level 5, given the need to balance change with human and financial resources. Establish realistic time frames, recognizing that most people find change difficult, and if anything can go wrong, it undoubtedly will.

Resources

A Study Guide for this course is available for download at *scic.com/AMresources*.

Exhibits

A.   Implementation Steps for Moving Forward Across Technology Levels

B.   Technology Utilization Assessment Tool

Exhibit A: Implementation Steps for Moving Forward Across Technology Levels

---

Implementation Steps for Moving Forward Across Technology Levels

Step I — Build the Base.

Focus on:

- internal planning,

- modifications to field codes within the system,

- security and forms required to make certain systems ready to receive the new processes, and

- completion of a Procedures Manual.

Provide training at this level to support users in becoming more knowledgeable about system codes, form creation and updating, and security. Consider providing basic Windows training to encourage optimum use.

Follow a road map through the five layers of an electronic file:

- Client Detail

- Contact Detail

- Billing Detail

- Application Detail

- Claims Detail and Attachments

Step 2 — Establish "The Agency Way."

Focus on gaining consistency among all users, as well as on introducing and implementing procedures, workflow, system modifications, and training associated with new procedures.

Provide training to support the use of newly established codes, processes, and workflows.

Step 3 — Measure for Success.

Audit success achieved in Step 2. Provide any necessary re-training. Fine tune reporting to continually measure, budget, and plan to supplement the growth goals for the agency.

Step 4 — "Move to the Next Level."

Focus on additional functionality that could enhance customer service, system utilization, and support marketing efforts. This includes the implementation of Document Management and Automated Marketing. (These implementations can also occur in earlier steps.)

Develop a comprehensive Implementation Plan endorsed by the management team. Communicate the plan to the entire staff.

The Implementation Plan should prioritize actions and set attainable and enforceable target dates for event completion. Based on the recommendations contained in this report, the Implementation Plan should include but not be limited to the following steps:

- Codes: Revise current codes, add codes where necessary to streamline processes, and eliminate unused or obsolete codes.

Exhibit B: Technology Utilization Assessment Tool

- Form Letters: Revise form letters for improved efficiency. Add letters where appropriate and eliminate unused letters. Reorganize the file structure to make finding letters for specific tasks easier.

- Auditing: Create a quarterly automation audit plan.

Technology Utilization Assessment Tool

Read each statement and select the most appropriate response to how you and/or your agency handles your workflow.

If you do not know how your agency handles the workflow, select A as your default response.

1. What type of access do you have to technology?

   A. A shared PC or a personal laptop and PC

   B. Dedicated PC with single monitor

   C. Dedicated PC with multiple monitors and/or company-issued laptop or tablet

   D. Dedicated PC with multiple monitors and/or company-issued laptop or tablet and a smartphone

   E. Multiple devices with access to cloud services and VoIP

2. When we need coverage information on a client, we access this information from:

   A. A traditional Paper File

   B. A Transactional File

   C. An Out-of-the-Box Database or E-Filing Software or company portal

   D. Traditional Agency Management System supported by Paper Files

   E. Traditional Agency Management System with Document Management

3. Agency Finances are tracked using the following method:

   A. Checkbook

   B. Ledger Book

   C. Online Banking

   D. An Out-of-the-Box Accounting Software

   E. Traditional Agency Management System

4. When handling the payables of the agency, the invoices/statements are:

   A. Received and filed for later payment on the due date with handwritten checks

   B. Entered into Online Banking for electronic payment

   C. Entered into an Out-of-the-Box Accounting Software and checks are handwritten

   D. Entered into a traditional Agency Management System and checks printed as they are due

   E. Entered into the Accounts Payable of an Agency Management System and checks printed automatically on Plain Paper Check stock as they are due

5. When mail is received by the agency, it is opened and then it is handled in the following way:

   A. Date stamped and distributed to various recipients for handling

   B. Date stamped and distributed to various recipients who then handle and scan the items for E-Filing

   C. Scanned and distributed by email to the recipients

   D. Scanned and distributed to an Image Box or Folder for each recipient

   E. Scanned and attached to the client and tracked through Activity to manage the documents.

6. A client calls to inquire on the balance due on their policy. The information is obtained in the following method:

   A. Client is advised to contact the company and they will assist

   B. Client information is obtained and then the carrier is called, and a return call is made to the client.

   C. Company portal is accessed, and information is provided to client at the point of contact

   D. Agency Management System is used to make a Real Time call to the carrier for the information and provided to the client at the point of contact

   E. Client has the ability to access billing information through an agency-provided portal

7. A client payment is made at the agency for a direct bill policy for new or existing business:

   A. No payments are handled by the agency

   B. Payments for new business only are collected and handled through the agency account

   C. Payment information is entered into the company portal for processing direct from the client

   D. Real Time transaction for Make a Payment is performed and tracked through the Agency Management System

   E. Client has the ability to process a direct bill payment through a Client Portal sponsored by the agency (not a company portal)

8. A phone call is made to an individual in the agency, calls are handled as follows:

   A. Through a single line phone

   B. Through a traditional phone system with multiple lines and extensions

   C. Through an in-house Voice over Internet Protocol (VoIP) system allowing for more options to manage the call, including the ability to redirect to another number or mobile phone

   D. Through a hosted Voice over Internet Protocol (VoIP) system allowing for more options to manage the call, including the ability to redirect and control the call from a smartphone

   E. Direct Dial numbers are provided with the ability to manage the way each individual call is handled through Voice over Internet Protocol (VoIP)

9. Having access to many company and third-party vendors, including an Agency Management System, user codes and passwords are managed and stored as follows:

    A. Shared use with other individuals within the agency

    B. Adhesive Notes and Spreadsheets on my desk

    C. Software to manage user codes and password or saved in the browser

    D. Secured in an area that is password protected for viewing or use, including Real Time Transactions, such as Transformation Station, Transact Now, or equivalent product through your Agency Management System

    E. Single Sign-On using Federated IDs such as SignOn Once

10. A client calls your agency for a personal lines quote. You or your staff collect the information and provide a rate as follows:

    A. A fact-gathering form is pulled and prepared (Green for Home and Yellow for Auto) and the client is called back with a quote.

    B. Information is gathered and entered into a company portal(s) and then the client is provided with a quote or called back with a quote.

    C. Information is gathered from a form and later entered into an Agency Management System, which then passes the information into a comparative rater and/or is bridged to a company portal for rating. A call back is made to the client.

    D. Information is gathered from the client and entered at the point of contact into an Agency Management System, which then passes the information into a comparative rater and/or is bridged to a company portal for rating. A call back is made to the client.

    E. Information is gathered from the client and entered at the point of contact into an Agency Management System, which then passes the information into a comparative rater and/or is bridged to a company portal for rating. A final quote or rate is provided to the client on the same call (one point of contact).

11. When I am out of the office and a client attempts to contact me by phone through the agency's main number, my call is handled as follows:

    A. A message is taken, which I address when I return to the office.

    B. The phone call goes to my voice mail for later retrieval.

    C. The phone call is directed to my number and the call is forwarded to my cell phone.

    D. The phone call is directed to my number and the call is forwarded to my cell phone. If a voice mail is left, the actual message is sent to me via email.

    E. The phone call is directed to my number and through my smartphone, I could answer, send to voice mail or redirect to another extension or individual in the agency. If a voice mail is left, the voice mail is sent to me via email for retrieval or for attaching to the electronic file within the Agency Management System.

12. When a client visits our agency website, they can do the following:

   A. Obtain information about our agency and view contact information

   B. Obtain information about our agency along with links to carrier websites for service

   C. Obtain information about our agency and have the ability to request service or quote requests through various service forms

   D. Obtain information about our agency. In addition to being able to make service requests and quote requests, they can communicate with us using Live Chat, email, or other means that meet the client's needs.

   E. In addition to being a source of information on the agency, the client has access to their policy information and the ability to file change requests and claims through a portal specific to them. They can also access this 24/7 and obtain Auto IDs and Certificates of Insurance as needed. Real-time rating with the ability to Rate, Pay, and Issue online is available.

13. When we search for insurance in our geographic area on the internet, our information is available in one of these ways:

   A. Cannot locate our agency in the first page of results.

   B. Our agency appears under various third-party sites, but our website does not appear.

   C. Our agency appears in the top 5 with reviews.

   D. Our agency appears in the top 5 with positive reviews.

   E. Our agency appears as a sponsored advertisement.

14. Our workflow for the renewal of our personal lines business in the agency is as follows:

   A. Our business is Direct Bill and all policies are issued by the carrier and sent directly.

   B. Our business is downloaded to our Agency Management System as policies are renewed with the carrier.

   C. Our business is downloaded to our Agency Management System as policies are renewed. They are then reviewed based on the log for these items that were received.

   D. Our business is downloaded to our Agency Management System and policy information is reviewed electronically to compare differences and exceptions for the CSR to review.

   E. Our Agency Management Systems automatically begin the renewal process 90 days prior to expiration with communication to the client on options and cross-sell opportunities. Policy information is received by download and reviewed electronically for exceptions.

15. Most of our client interactions can be best described as:

   A. Reactive to their needs. Most of our day is consumed with returning calls and handling the needs of our clients as they request them.

   B. Reactive to the needs of our clients. We use information available to us through company portals and our Agency Management System to provide responses at the initial point of contact.

    C.   Although most of our responses are reactive, we have some proactive activity with our clients by CSRs and Producers using our expiration reports.

    D.   Many of our workflows are proactive, where we initiate the conversation with our clients and provide service responses quickly and many times prior to the request using the information available to us.

    E.   Our producers and CSRs are pro-active insurance consultants by providing service before the request and working on relationship-building activities with our individual clients.

16. When I need to access information on procedures for both the agency and the carrier, I have access to this by:

    A.   Not sure where this is located.

    B.   I access agency and company bulletins from my desk or file folder.

    C.   We have access to this information from our desktop either from scanned items or saved email. Company information is available from their portals.

    D.   We have a central location within the agency to access both agency and carrier information, including procedure and personnel manuals and company rating information.

    E.   We have access to all available information from our desktop through an agency intranet that organizes the access. This includes all agency manuals, along with vacation schedules, group calendar, and almost anything that I need to complete my responsibilities.

17. A commercial client contacts your agency for some general information on their coverage. This is handled in the following method:

    A.   AWe access the information from a paper file for the client. The reply is usually made with a return call after the research is completed.

    B.   We access the client in our Agency Management System and then log in to the company portal for the coverage information. This usually results in a return call to the client.

    C.   The Agency Management System is used to make a Real Time call to the carrier for the information and provided to the client at the point of contact.

    D.   The Agency Management System is accessed and coverage information downloaded by the carrier to the agency and issued to provide information to reply to the client's needs.

    E.   The client could access policy information through an agency-provided portal, or they can contact the agency for information obtained from their management system at the point of contact.

18. A personal client contacts your agency for some general information on their coverage. This is handled in the following method:

    A. We access the information from a paper file for the client. The reply is usually made with a return call after the research is completed.

    B. We access the client in our Agency Management System and then log in to the company portal for the coverage information. This usually results in a return call to the client.

    C. The Agency Management System is used to make a Real Time call to the carrier for the information and provided to the client at the point of contact.

    D. The Agency Management System is accessed and coverage information downloaded by the carrier to the agency and issued to provide information to reply to the client's needs.

    E. The client could access policy information through an agency-provided portal, or they can contact the agency for information obtained from their management system at the point of contact.

19. A client has a loss and needs to file a claim. It is your agency's procedure to do the following:

    A. We do not accept claims; they are reported directly to the carrier.

    B. We have various workflows, depending on the carrier.

    C. We gather the information and fax or email the claim to the carrier for handling.

    D. We gather the information and enter it into our Agency Management System. The claim is then sent via Real Time and the company instantly returns the claim number, adjuster, and other information that updates the management system.

    E. Information is entered into the Agency Management System and the claim is filed via Real Time. In addition to the claim being updated when the loss if filed, the ongoing activity is received from the company through download and agency information is kept up-to-date.

20. A client calls for information on an existing claim, we can respond as follows:

    A. We do not service claims, they are handled by the carrier.

    B. We obtain the information from the company and return the call to the client.

    C. We log in to a company portal to view claim activity and provide a response to the client at the point of contact.

    D. We access the agency management system and use a Real Time call to access claim information. We also have access to claim information in our management system from downloaded information from the carrier.

    E. We access the agency management system and use a Real Time call to access claim information. In addition to claim information in our management system provided from download, the client has access from their client portal for up to date claim information.

21. When I am out of the office for family issues or health reasons, I have the following options:

    A. No access to the agency or work items

    B. I have access to the Agency Management System and email to perform tasks virtually from home.

    C. I have full access to the Agency Management System and all third-party software, including email, to perform the tasks virtually from home.

    D. In addition to access to the Agency Management System and third-party software and email, I also have my phone calls forwarded to my cell or land line.

    E. In addition to access to the Agency Management System and third-party software and email, I have a phone or access to our phone system through VOIP and also the ability to complete any task I could complete in the office virtually in my home.

22. When I access a client in my Agency Management System, I have access to the following data:

    A. Basic Client Information

    B. Basic Client Information along with full Contact Information, including preferred method of contact, phone numbers, and email addresses

    C. Basic Client Information, Contacts, and Basic Policy Information like policy type, policy number, effective/expiration dates, and premium

    D. Basic Client Information, Contacts, Basic Policy Information, along with full policy coverage details

    E. Basic Client Information, Contacts, Basic Policy, Coverage details along with full schedules, Claim Information, document attachments, and any other supporting file information

23. If I need information on the agency results and I access the reports in my Agency Management System, I can get the following information:

    A. Policy or client lists, including Expiration Reports

    B. Policy or client lists, including Expiration Reports. Also access to production transactions and book of business reports.

    C. Policy or client lists, including Expiration Reports. Also access to production transactions and book of business reports. We can also obtain data for retention numbers or attrition rates.

    D. Policy or client lists, including Expiration Reports. Also access to production transactions and book of business reports, and retention or attrition information. We also have access to sales pipeline information to monitor goals and ratios for our sales producers.

    E. Policy or client lists, including Expiration Reports. Also access to production transactions and book of business reports, and retention or attrition information. We also have access to sales pipeline information to monitor goals and ratios for our sales producers. We can also report on various activities to monitor the accuracy of data. We can report on quote and proposal activity, both successful and unsuccessful to share with our company representatives.

24. When needing to prepare an application, I use one of these methods:

    A. Access the application, print it out, and complete and scan for submission

    B. Use a Fillable Form (PDF) and print or submit by email or fax

    C. Access an application in the management system and complete

    D. Access an application in the management system provided with various defaults and templates to speed up the completion of the application. The application is then submitted by email or fax.

    E. Access an application in the management system provided with various defaults and templates to speed up the completion of the application. The application is then submitted directly to the carrier(s) through Real Time Bridging.

25. When communicating with our client, we could send a message by mail, email, or fax. The communication is prepared as follows:

    A. Each message starts from a blank page and is prepared for the client.

    B. Ability to copy and paste from prior messages for reuse

    C. Agency templates for email and letters are available that allow us to insert specific or contact coverage information.

    D. Agency templates for email, letters, and proposals are available that pull contact and coverage information from our Agency Management System into the template document.

    E. Agency templates for email, letters, and proposals are available that pull contact and coverage information from our Agency Management System into the template document. This document can be sent via the method preferred by the client as part of the workflow referring to the contact information on hand.

26. Once you have completed the quiz, add the various responses by letter category and summarize below:

    Response A _____ X   1 = _____ Total

    Response B _____ X   2 = _____ Total

    Response C _____ X   3 = _____ Total

    Response D _____ X   4 = _____ Total

    Response E _____ X   5 = _____ Total

27. Evaluate your total score to determine your level of technology utilization:

    0 to 25 Points   = Level 1 Essential Utilization

    26 to 50 Points   = Level 2 Defined Utilization

    51 to 75 Points   = Level 3 Managed Utilization

    76 to 100 Points   = Level 4 Quantified Utilization

    101 to 125 Points = Level 5 Optimized Utilization

Section 4: Self-Quiz

Directions: Define the term *InsurTech*.

InsurTech is the application of

_____

_____

_____ .

Directions: Write letters to sort the examples into appropriate categories.

How InsurTech Affects the Insurance Industry

Claims Handling	Risk Management	New Business Onboarding

A. electronic delivery

B. understanding workplace behaviors

C. calculating the estimated cost of repairs

D. virtual walk-throughs

E. paperless transactions

F. reducing the number of questions asked

G. evaluating cause and effect from a loss

H. telematics, such as tracking driving behaviors

Directions: Technology affects agency performance. Write letters to match each example to its effect.

Example	Effect
A. Clients have instant access to information.	_____ Technology increases revenue.
B. Agents can communicate with clients in a variety of ways.	_____ Technology allows measurement.
C. Both employees and clients benefit from controlled and consistent experiences, leading to greater satisfaction.	_____ Technology improves the customer experience.
D. Employees can work from any location.	_____ Technology helps build a consistent experience.
E. Consistency reduces possible E&O exposures.	_____ Technology offers flexibility.
F. Standardized workforce practices reduce employee stress, making the work environment more enjoyable.	_____ Technology can increase employee satisfaction.
G. The ability for any number of people to process more transactions increases per-person revenue.	
H. Agents can focus more on customer service than on transactions.	
I. Unchanging, or invariable, practices reduce exposure to E&O claims.	
J. Employees can access personal training opportunities.	
K. Any given number of people can process more transactions.	

Directions: Choose words from the word bank to fill in the blanks.

customer service	sales
level	support
management	technology
practical	

The term *utilization* refers to making _____ or efficient use of something. It is not an agency's specific _____ or _____ system that determines utilization. It is the _____ at which these items are implemented. Implementation includes employee _____, back-office support, _____ support, and _____.

Directions: Read each characteristic. Then write the number of the corresponding utilization level. The first one has been done for you.

Level 1 — Essential Utilization   **Level 4 — Quantified Utilization**

Level 2 — Defined Utilization   **Level 5 — Optimized Utilization**

Level 3 — Managed Utilization

Characteristic	Level Number
A. Technology is used to conduct more of the various tasks of running an agency, thus reducing the overall burden on employees.	**5**
B. There is a focus on how staff manage the agency's short- and long-term goals.	
C. Agency data integration with carrier systems exists but is not fully used.	
D. Technology systems are integrated so that phones and other forms of communication work with an agency's management system.	
E. Although some technology is in use such as phones and workstations, overall technology use is minimal.	
F. An agency prioritizes measuring the results of its technology and analyzing those results to determine how they affect the agency in the most positive ways.	
G. Practical uses of technology for the purpose of creating efficient workflows and procedures are being defined.	
H. Technology integration is seamless, moving the emphasis from the agency's needs to the customer's needs.	
I. An agency is beginning to measure the value and efficiency its technology provides.	
J. Only the basic features of any existing agency management system are used.	
K. Workflows and technology provide strategic and reliable processes that focus on customer needs.	
L. An agency is deciding the minimum amount of data it needs to collect.	

Directions: Circle True or False.

1. Moving from one technology level to another is always done one level at a time.

<p align="center">**True**   **False**</p>

2. An agency with highly effective strategic planning can skip levels to reach Technology Utilization Level 5 instantly.

<p align="center">**True**   **False**</p>

3. Realistic goals and time frames are required for an agency to move forward from one technology utilization level to another.

<p align="center">**True**   **False**</p>

Directions: Order the "big-picture" steps for moving from one technology level to the next from 1 to 4.

_____ Measure for success.

_____ Build the base.

_____ Move to the next level.

_____ Establish the "Agency Way."

Directions: Explain the difference between a technology upgrade and a technology conversion.

1. A technology upgrade is _____

   _____

2. A technology conversion is _____

   _____

Directions: Explain why an agency should conduct an internal needs assessment before deciding whether to upgrade or convert its technology.

_____

_____

_____

Directions: Draw lines to match each step to the appropriate order in the process of conducting an internal technology needs assessment.

1	Decide whether to upgrade or convert. Then consider what technology will get the job done.
2	Plan for a commitment to employee training.
3	Develop a set of questions and answers to guide the thinking, research, and decision-making processes related to whether to upgrade or convert to a new system.
4	Make a checklist of current and future needs.
5	Establish time-related goals.

Directions: Circle each example of a factor an agency might consider during an internal needs assessment.

mobile access	reporting needs	hard costs	security issues
timeline for completion	future needs	per-user cost	soft costs
required staff training	functionality across electronic platforms	whether to rely on software of Cloud solutions	client expectations

Directions: Circle whether each example represents a Hard Cost or a Soft Cost.

1. Employee training

      Hard Cost   **Soft Cost**

2. Loss of productivity during learning time

      Hard Cost   **Soft Cost**

3. Physical equipment required for technology implementation

      Hard Cost   **Soft Cost**

Directions: Define the term *Cloud computing*.

Cloud computing describes

_____

_____ .

Directions: Name two advantages of relying on Cloud computing rather than in-house data storage.

1.   _____

2.   _____

Directions: Circle the word or words that complete each sentence.

1. _____ may have had little experience with the technology used prior to a technology upgrade.

        Customer service representatives   **Producers**

2. Insertions of data at the earliest stages of client interactions are more complete when everyone knows how to use an agency's _____.

        VoIP   **information management system**

3. No matter who the employee is, familiarity with an agency's technology upgrade or conversion improves workflows and increases individual

    _____ .

        responsibility   **productivity**

Directions: Circle True or False.

1. VoIP is the delivery of voice and multimedia data over networks, such as the internet.

        True   **False**

2. Printers, scanners, and telephones must be integrated and compatible for effective communication.

        True   **False**

3. For greater productivity, an agency should grant individual access to systems rather than to groups.

        True   **False**

4. Insurance companies can use third-party resources to access an agency's management system.

        True   **False**

5. Most agencies wait until technology has been upgraded or converted to clean their data.

        True   **False**

Directions: Choose words from the word bank to fill in the blanks.

accurate	misplaced
difficult	useful
efficient	validating
integrity	

1. Most agencies attempt to organize their documentation before upgrading or converting their data management systems. An agency begins by _____ its information, or "cleaning up" its data before making any system change. Stray, or _____, information is put in its proper place.

2. Cleaning data before an upgrade or conversion has two valuable consequences. First, it makes the change process far more _____ and less _____. Second, it provides data _____. When agency staff generate reports, those reports will be based on _____ data. Only then are reports _____.

Directions: Explain why built-in workflows are more effective than multitasking.

_____

_____

_____

Directions: Draw lines to match each word to its definition.

every step required to complete a procedure

standard

an acceptable level of performance

a clear list of things or steps an agency must do to meet a standard

procedure

contributes to an agency's brand

an explanation of who is responsible, what must be done, and when it must be done

workflow

every keystroke required to complete a procedure

Directions: List five benefits that come from having established standards, procedures, and workflows. Together, they:

1. _____

2. _____

3. _____

4. _____

5. _____

Directions: Put a check (√) next to each outcome of an operational assessment.

An operational assessment helps an agency:

☐ ensure that employees are following the agency's standards, procedures, and workflows

☐ decide whether to upgrade or convert technology

☐ find problems that need to be corrected

☐ evaluate individual employee performance

☐ rewrite its value, vision, and mission statements

☐ compare agency productivity levels to competitors' levels

☐ support customer service

☐ find ways to use current technology more fully

☐ identify employee training needs

☐ support an agency's core value and mission

Directions: Circle the word or words that complete each sentence.

1. _____ are needed to lead an operational assessment.

    Agency managers or owners   Trained and reliable individuals

2. Assessments should be applied consistently across _____.

    departments   the lowest paid employees

3. Assessment results should be communicated to _____ in general terms.

    all staff   managers

4. Assessment results should include solutions, _____, and training opportunities uncovered by the assessment process._____

    staff recommendations   workflow glitches

Directions: Explain the purpose of staff stratification.

_____

_____

_____

Directions: Choose words from the word bank to fill in the blanks. Some words may be used more than once.

databases	integrity	unreliable
electronic	quality	

Effective information management relies entirely on _____

documents and _____. However, the

_____ of the information in an output such as a report

depends entirely on the _____ of the information put into

the agency's database. Without data _____, other functions

are entirely _____.

Directions: Put a check (√) mark next to each recommendation for managing information effectively.

☐ Fill in every field within a database.

☐ Set up folders for storing essential emails.

☐ Use appropriate naming conventions.

☐ Complete the Full Client Detail in a database.

☐ Print and store hard copies of all documents.

☐ Keep databases up-to-date.

☐ Provide employees with customized training in using the database.

Directions: List four kinds of data that should be entered into an agency's management system. The first one has been done for you.

1. Basic client detail

2. _____

3. _____

4. _____

Directions: Put a check (√) mark next to each example of data put into an agency's management system.

☐ claims information   ☐ driving records

☐ system access information   ☐ property update information

☐ appraisals   ☐ coverage recommendations

☐ classification codes   ☐ technology productivity metrics

☐ value statements   ☐ evaluation worksheets

☐ submission information   ☐ business income worksheets

Directions: Circle True or False.

1.   A workflow should always start at the beginning.

        True   **False**

2.   Client data go in first.

        True   **False**

3.   Entering data in the middle of a workflow can lead to data backflow.

.   **True**   **False**

4.   Data backflow requires employees to go back to the beginning of a workflow to fill in missing information.

        True   **False**

5.   Working backward can save time and money.

        True   **False**

6.   Data backflow has little or no effect on data integrity.

.   **True**   **False**

Directions: Fill in letters to complete each word in the following sentence.

Document managers use database systems to c ___ ___ ___ ___ ___ ___ ___,

s ___ ___ ___, and m ___ ___ ___ ___ ___ documents.

Section 4: Technology Utilization

Directions: List seven examples of electronic documents than an agency can collect, store, and manage.

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

7. _____

Directions: Choose words from the word bank to fill in the blanks. Some words may be used more than once.

cover page	**scanned**
electronically	**shredded**
files	**storage**
processed	

Agencies may combine early- and late-capture methods to manage in-house documents. In the early capture method, incoming documents are _____ immediately after they arrive at an agency. They are then transferred _____, attached to client _____, and/or communicated _____ to a staff member. In the late capture method, documents are _____ before they are _____. Next, they are distributed to individuals within the agency or to an outside vendor for electronic _____. Each

document is accompanied by a(n) _____. Afterward, original

paper documents may be _____.

Directions: Document managers are aware of their states' requirements for gathering information classified as private information. List ten possible examples of personally identifiable information (PII).

1. _____   6. _____

2. _____   7. _____

3. _____   8. _____

4. _____   9. _____

5. _____   10.

Directions: Describe two steps an agency must take to protect client data.

1. To protect client data, an agency should _____ .

2. It must then _____ .

Directions: Explain how encryption is related to protecting client data.

_____

_____

_____

_____

Directions: Technology presents both benefits and challenges to an agency. Write the letter of each example in the appropriate column.

Benefits of Technology	Challenges Related to Technology

A. Employees save keystrokes by allowing information to be entered only once.

B. Not all insurance companies support an agency's workflows.

C. An agency needs different workflows to work with companies that do not support bridging.

D. Processing is expedited for routine requests.

E. Employees reduce E&O exposure by decreasing the likelihood that data will be entered incorrectly.

F. Data quality improves and opportunities for human error diminish.

Directions: Downloading is the process of transferring information electronically from an insurance company database to an agency management system. It brings both benefits and challenges to an agency. Write the letter of each example in the appropriate column.

Benefits of Downloading	Challenges Related to Downloading

A. Download failures can lead to problems, such as data overwrites.

B. The possibility of data-entry mistakes decreases, reducing E&O exposure.

C. A failure to conduct daily download audits may result in undiscovered errors or glitches, compromising an agency's database.

D. Processing work may decrease by as much as 30%.

E. Workflow begins in an agency management or comparative rating system.

F. An agency may need different workflows to work with carriers that do not support bridging.

G. Not all insurance companies support commercial line downloads.

H. More insurance carriers provide support for personal lines downloads.

Directions: Circle True or False.

1. A comparative rating system is a vendor rating program that enables an agency to obtain accurate risk quotes from multiple carriers.

<div align="center">**True**   **False**</div>

2. A vendor and an insurance carrier must initiate, implement, and check rating updates.

<div align="center">**True**   **False**</div>

3. A comparative rating system increases the number of keystrokes required to obtain a premium quote.

<div align="center">**True**   **False**</div>

4. A comparative rating system is available at no cost to an agency.

<div align="center">**True**   **False**</div>

5. Not all comparative rating systems may provide an underwriting review or necessary reports.

<div align="center">**True**   **False**</div>

Directions: Insurance companies and agencies may provide portal access to proprietary rating systems through log-ins and passwords. Circle the word or words that complete each statement about proprietary rating systems.

1. A proprietary rating system often includes _____ approval.

<div align="center">**underwriting**   **risk**</div>

2. Agency employees enter risk data into a carrier's system to obtain quotes, but _____ may be unacceptable.

<div align="center">**risks**   **declination capabilities**</div>

3. When producers and CSRs go around an agency's management system by going directly to a carrier's site, they _____.

<div align="center">**compromise an agency's documentation**   **increase workflow efficiencies**</div>

Directions: List five examples of real-time transactions that can occur when carrier and agency management systems interpret and transfer data.

1. _____

2. _____

3. _____

4. _____

5. _____

Section 5: Ethical Responsibility

Section Goal

Participants will be introduced to Insurance Professional Ethics. Professional ethics are defined by regulators as the standards of moral conduct and judgment which guide the behavior of insurance professionals in their fiduciary duties and obligations to:

the industry	and	**the general public**

A full understanding of ethical responsibilities and adherence to their application also minimizes Errors and Omissions claims.

Learning Objectives:

5.1   *The participant will identify the foundations of ethical behavior, steps in making ethical decisions, and the process of establishing a Code of Ethics.*

5.2   *The participant will identify the basis of legal duties that impact an agent, agency, and insurance company and explain the four types of agent authority.*

5.3   *The participant will explain methods to minimize agency Errors and Omissions (E&O) exposure and describe the proper steps to take following an E&O loss.*

Introduction to Ethical Responsibility

Ethics

Ethics are defined as rules or standards associated with moral duties and obligations. They are guiding principles, or collective beliefs and values, that members of a society use to guide personal decisions and to differentiate between "right and wrong." A number of sources influence an individual's ethics, including:

The roots of the word *ethics* begin with the Greek word *ethos*, meaning "moral character, custom, habit, or disposition." Ethics change over time and across social groups. Consequently, no two individuals approach a decision from identical ethical viewpoints.
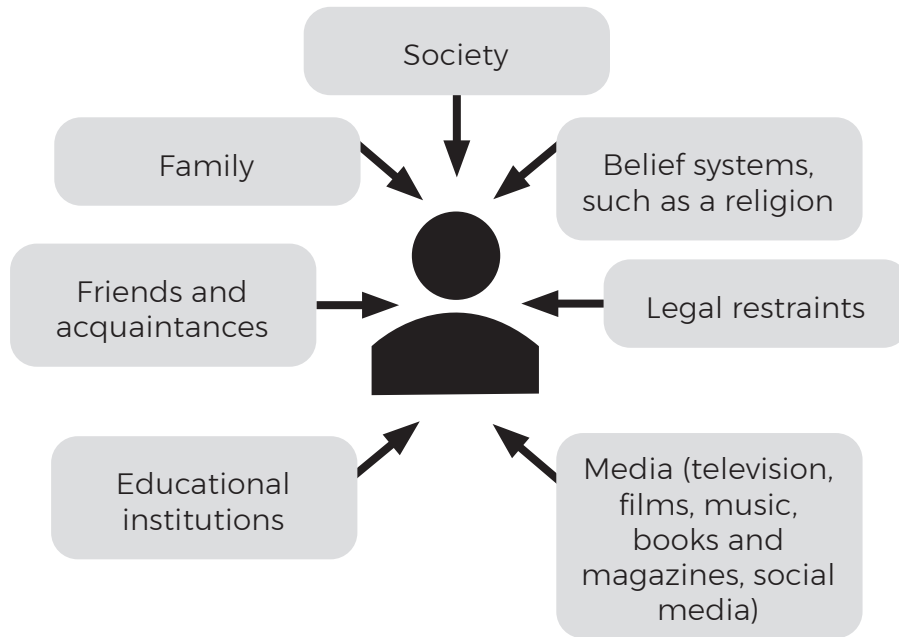
Ethics in the Workplace

Learning Objective:

> 5.1 *The participant will identify the foundations of ethical behavior, steps in making ethical decisions, and the process of establishing a Code of Ethics.*

Ethics in the Workplace

Professional ethics are principles that guide the decisions of individuals and groups within a given profession. In the business world, these guiding principles, or *business ethics*, focus on principles and problems that occur within a business environment, such as an agency. Business ethics apply to each individual within an agency and to the agency as a whole.

In the workplace, employees apply business ethics that align with their agencies, the insurance industry, and generally accepted business standards. In some cases, laws and regulations guide decisions and behaviors within an agency. In other cases, public perception shapes agency actions.

The Foundations of Ethical Behavior

Different organizations and institutions take different positions on what it means to behave ethically. The Josephson Institute, for example, is a nonprofit organization that focuses on creating and sharing materials that address ethical practices in a variety of settings, including government, public service, and business. The institute identifies the following twelve ethical **principles,** or standards of behavior, for business leaders.

Honesty being truthful in all dealings; avoiding deception or misleading words and behaviors	**Integrity** having the courage to do what is right, even under pressure to do otherwise	**Trustworthiness** making every effort to fulfill promises and commitments
Loyalty demonstrating fidelity to clients, colleagues, and institutions	**Fairness** exercising power without taking advantage of others or acting arbitrarily	**Concern for Others** practicing the Golden Rule
Respect for Others demonstrating respect for human dignity	**Law Abiding** following laws, rules, and regulations associated with conducting business	**Commitment to Excellence** being well-informed and prepared; always endeavoring to increase their proficiency in all areas of responsibility
Leadership remaining aware of the responsibilities attached to positions of leadership, modeling ethical behaviors	**Reputation and Morale** protecting a company's reputation and safeguarding the morale of its employees	**Accountability** accepting responsibility for one's decisions; being forthcoming about mistakes

Steps in Ethical Decision-Making

Josephson Institute's ethical principles reflect several values, including responsibility. An ethical individual takes responsibility by thinking before acting, demonstrating self-discipline, behaving consistently, and recognizing and accepting responsibility for the consequences of her/his actions. Stakeholders — individuals who are a part of or are affected by a decision — are a critical consideration in an individual's ethical decision-making.

In its work with faculty and staff, the University of California San Diego applies guidelines from the Josephson Institute to suggest a seven-step path for ethical decision-making.

Stop and think.
Pause to avoid making rash decisions.
Clarify goals.
Establish short-term and long-term goals or aims.
Determine facts.
Figure out what you know and what you need to know. Check the reliability of your information sources.
Develop options.
List the actions you can take to accomplish your goals. Talk to people you trust to gather additional points of view.
Consider consequences.
Check your choices to eliminate those that don't align with your ethical values.
Choose
Make a decision if you struggle with the decision, seek advice from those you trust ask someone you admire what they would do, apply the Golden Rule, or consider whether the decision will make you proud.
Monitor and modify.
Pay attention to the effects of your decision. If necessary, make adjustments.

# Establishing an Agency Code of Ethics

An agency is neither ethical nor unethical. Only the people within an agency can choose how to behave.

Why does every agency require a Code of Ethics? A Code of Ethics is the foundation of the agency's value system. And it projects the agency's purpose and identity to clients and insurance companies.

Establishing or changing an agency Code of Ethics begins with agency owners/managers. If a Code of Ethics already exists, they ask what belief system or value structure supports it. They also ask whether it is working. Do people within the agency know which behaviors are right or wrong?

Implementing or changing an agency Code of Ethics requires education. The code must be taught to staff and incorporated into the agency's overall culture (ethos) and expectations (beliefs).
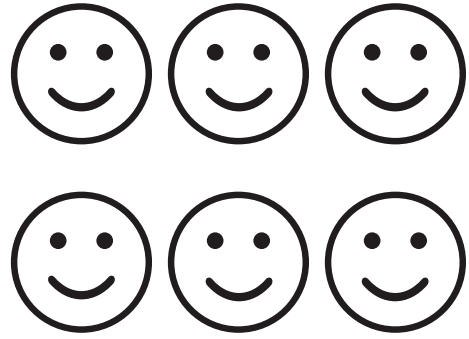
Ethical practices move from top to bottom. Agency owners/managers define and model ethical behaviors, and managers accept responsibility for making difficult decisions to enforce change.

Implementing a Code of Ethics requires a constant commitment. Owners/managers must evaluate the code's effectiveness regularly, gathering information through:

staff discussions	questioning insurance companies	client surveys

A statement of ethical behavior from The National Alliance can be found in the Exhibits section of this section.

Behaving Unethically

There are countless reasons some individuals or groups choose to act unethically. Ron Carucci summarized five things that organizations do that lead employees to engage in unethical behaviors in the workplace. (Carucci, R. "Why Ethical People Make Unethical Choices." *Harvard Business Review,* December 16, 2016. Online access.) Ordinarily ethical employees, the author said, may behave unethically when:

- they feel it is unsafe to speak openly and honestly
- their managers set unrealistic performance targets
- they sense unfairness in the workplace
- their managers do not practice ethical behaviors

Unethical behaviors come with consequences. They can include:

- loss of reputation and image among clients, insurance companies, and the state
- exposure to legal action from clients, insurance companies, and the state
- damage to an agency's business, resulting in profit loss and depreciated value
- statutory or regulatory actions

Knowledge Check

Directions: Work with a partner or in a group. Select one of the following case studies to examine from an ethical perspective. Use what you know about the foundations of ethical behavior to answer the question.

Case Study One

You are a producer in a local insurance agency. Recently, you connected with a business owner at a Chamber of Commerce luncheon. The owner is excited about having you quote and write his business. Returning to the office, you attempt to enter this prospect into your sales management system, only to find that the business is already entered as a prospect assigned to another producer in the agency. You notice that the producer has not contacted the business in more than three years. You know you can land this account. How do you proceed?

_____

_____

_____

Case Study Two

You are the agent for a nonprofit social services agency. The social services agency knows you and your son are actively involved in Little League. The social services agency offers you a set of family season tickets to the games of the local professional baseball team. What do you do?

_____

_____

_____

Legal Duties

Learning Objective:

5.2   The participant will identify the basis of legal duties that impact an agent, agency, and insurance company and explain the four types of agent authority.

The Basis of Law

Several factors contribute to the identification and establishment of ethical responsibilities in the workplace. They include peer standards, reliable research, expert testimonies, oral and written agreements, and case laws and statutes.

Professional individuals such as physicians, attorneys, architects, and accountants are subject to ethical review and professional liability suits. Today, there is increasing recognition of insurance agents as professionals. Consequently, in some circumstances, broader legal and ethical duties may apply to them.

Legal and Ethical Duties of an Insurance Agent

Several legal and ethical duties fall to an insurance agent. Agents are expected to:

- procure insurance asked for by a client using reasonable diligence and inform the client if not able to do so
- notify a client of policy expiration when the agent receives information pertaining to the expiration date that is intended for the client
- renew a policy or notify a client of non-renewal
  - direct bill vs. agency bill
  - reason other than non-payment of premium
- investigate the solvency of an insurance company
  - initial placement
  - ongoing duty

The Influence of Case Law on an Agent's Duty

Agent licensing assumes that an agent has the knowledge required to perform activities related to providing the complex product of insurance to the public. Some states hold the agent to a higher "professional" standard in all insurance transactions. Other states use state-specific case law to determine if an additional duty is owed.

Some situations may lead a court to determine the existence of a "special relationship" between a client and an agent. Although these determinations can vary dramatically by state, they can be triggered by an agent's intimate knowledge of a client, the length of time of their relationship, the degree of client dependence on the agent, or an agent simply agreeing to make insurance or risk management decisions on behalf of a client.

In insurance transactions, a **fiduciary relationship** — a relationship in which an agent, agency, or insurance company is expected to act in the best interests of a client — is held to a higher degree of responsibility than fiduciary relationships in many other businesses.

Higher professional standards of behavior, the circumstances of special relationships, and the status of fiduciary relationships within the insurance industry are shaped by law. Consider the following judgments. The first relates to expanded duty. The second describes an agent's professional responsibility and liability.

The first case, **Hardt v. Brink,** was a federal case that involved an agent who presented himself as an expert, thus expanding his duty. The agent attempted to protect himself by stating that he was not an attorney, so he did not read the requirements of the lease or know that it was a triple-net lease.

Hardt v. Brink, 192 Fed Sup. 879, (W.D. Wash. 1961) and 16A Appelman, Insurance Law & Practice, Sec. 8836, at 64-67 (1981)

Generally, an insurance agent assumes only those duties normally found in an agency relationship. The duty is to act in good faith and to use reasonable care, diligence, and judgment in procuring the insurance requested by the insured. An agent may assume and be liable for additional duties created by an express agreement or a "holding out." Hardt, 192 F.Supp. at 881. Yet the normal agency relationship imposes no affirmative duty on the part of the agent to advise the insured on specific matters.

An expanded duty to advise the insured exists when the agent/ broker and insured establish a "special relationship." (Hardt) Many courts around the country have since adopted the "special relationship" test. This test requires a case-by-case, fact-specific inquiry into the particular relationship between the parties.

The second case, **McAlvain v. General Insurance Company,** 554 P.2d 955 (Idaho 1976), was conducted in an Idaho state court, meaning the court's decision may not apply to other jurisdictions.

A person in the business of selling insurance holds himself out to the public as being experienced and knowledgeable in this complicated and specialized field. In the interest of the state, the competent persons who become insurance agents are demonstrated by the requirement that they be licensed by the state, pass an examination and meet certain qualifications. When an insurance agent performs his services negligently to the insured's injury, the agent should be held liable for the negligence just as an attorney, architect, physician or any other professional who negligently performs personal services.

Creating "Special Relationships"

In the case **Hardt v. Brink,** agents have an expanded duty when they establish "special relationships" with clients. A **special relationship** is a long-term relationship built on confidence in or reliance on an agent to make ethical coverage recommendations and/ or decisions. In the case Hardt v. Brink, for example, the agent represented himself as an expert.

In a special relationship, an insured asks for recommendations and/or decisions, and the agent provides advice. The transaction involves compensation beyond customary premiums.

The following decision, issued by the Maryland Court of Special Appeals, may not apply to other jurisdictions.

Sadler v. The Loomis Company, 776 A.2d. 25 (2001) Maryland Court of Special Appeals.

It is the nature of the relationship, and not merely the number of years associated therewith, that triggers the duty to advise. Some of the factors relevant to developing entrustment between the insured and the insurer include: exercising broad discretion to service the insured's needs; counseling the insured concerning specialized insurance coverage; holding oneself out as a highly-skilled insurance expert, coupled with the insured's reliance upon the expertise; and receiving compensation, above the customary premium paid, for expert advice provided.

"Special Relationship" to "Fiduciary Duty" – Fitzpatrick v. Hayes (1997) 57 Cal.App.4th 916, 927 – Affirmative Duty to Advise Benchmark

Examples of facts pointing to a special relationship were presented in Fitzpatrick v. Hayes.

Such relationships may arise when: (1) the broker misrepresents the nature, extent or scope of the coverage being offered or provided; (2) the insured requests or inquires about a particular type or extent of coverage; or (3) the broker assumes an additional duty either by express agreement or by holding itself out as having certain expertise in a specific field of insurance that relates to the insured's coverage. (https://docutrax.com/drc/brokers/b-14-broker-liability.authcheckdam.pdf)

(Note: In this particular case, the court found no evidence of any of the three circumstances related to special relationships.)

McLammy v. Cole, 243 P.3d 932 (Wash. Ct. App. 2010)

In the case of McLammy v. Cole, the plaintiffs sought compensation exceeding policy limits. The basis of the request was "special relationship." Although special relationship could not be supported in this particular case, the court agreed that:

A special relationship exists if (1) the agent holds himself out as an insurance specialist and receives additional compensation for consulting and advice, or (2) there is a longstanding relationship, some type of interaction on the question of coverage, and the insured relied on the agent's expertise to the insured's detriment. (https://caselaw.findlaw.com/wa-court-of-appeals/1548016.html)

Legal Agents

A **legal agent** is a party authorized to act ethically on behalf of another. Parties include principals, agents, and third parties.

There are several types of agents:

Insurance Agent	an individual appointed by an insurer to solicit applications, to collect premiums, and to bind or effectuate policies so authorized
Broker	an individual who acts or aids in negotiating insurance contracts, in placing risks, or in soliciting or effecting contracts as an agent of an insured and not as an agent of an insurance company
Solicitor	an individual appointed by an agent or broker to assist in soliciting applications and collecting premiums
Insurance Counselor or Insurance Consultant	an individual who for a fee engages in the business of offering advice, counsel, opinions, or service on insurable risk or concerning benefits, coverages, or provisions under any insurance policy or involving advantages of any insurance policy or formal plan of managing pure risk
Managing General Agent	an individual with underwriting, claims, and reinsurance placement authority from an insurer. Many wholesalers have underwriting authority. Generally, state statutes define the authorities of a managing general agent.
Surplus Lines Broker	an individual who negotiates coverage on behalf of a client from an excess and surplus lines (E & S) insurer

Agency Authority

There are four forms of agency authority:

1. **Actual or express authority**

   Actual or express authority is plainly granted, either orally or in writing, by an insurance company (the principal) to an agent. Written authority is granted in an agency agreement that usually allows the agent to countersign, issue and deliver policies and binders, cancel policies, collect policy premiums, and provide all customary services of an insurance agent regarding all policies accepted by the insurer from the agent.[1]

2. **Implied authority**

   In a case of **implied authority,** an insurance company gives unexpressed authority to an agent, meaning it does not grant authority in writing or some other form of communication. This allows the agent to perform all of the usual and necessary tasks required to sell and service an insurance policy and to exercise the agent's expressed authority.[1]

   For example, if an agent's contract does not give the express authority of collecting and submitting premiums, but the agent does so regularly and the company accepts the premiums, then the agent is said to have implied authority. That is, it is a general business practice to collect premiums, and by accepting the premium from the agent, the company has implied that the agent has the authority to conduct this practice.

3. **Apparent authority**

   A person dealing reasonably with an agent supposes the agent to have **apparent authority**.[1]

   For example, an agent's contract usually does not grant the authority to reinstate a lapsed policy by accepting past due premiums. If, in the past, the company has allowed the agent to accept late premiums for that purpose, a court would probably hold that the policyholder had the right to assume that the agent's acceptance of premium was within the scope of his authority.

4. **Non-existent authority**

   An agent with **non-existent authority** has no authority to work with clients seeking insurance.

[1] Rupp's Insurance & Risk Management Glossary. © 2002, NLS Publishing.

Unfair Trade Practices

Legal agents and agency authorities have a legal and ethical responsibility to avoid unfair trade practices. An **unfair trade practice,** or deceptive trade practice, is a fraudulent, deceptive, or unethical behavior enacted for the purpose of obtaining business. Such harmful practices tend to accompany the purchase of products or services by consumers. The following workplace behaviors are examples of unfair trade practices:

Claims Practices making unnecessary demands of a client for the purpose of processing or settling a claim	**Rebating/Gift Offers/ False Free Prizes** offering an inducement to do business with an agent or agency	**Twisting and Replacement Codes** suggesting a client purchase additional life insurance or a replacement policy purely for the purpose of generating additional commission
False Advertising using confusing, misleading, or untrue statements to promote the purchase of a product or service	**Tied Selling** making the purchase of one product or service contingent upon the purchase of another	**Misrepresentation** making false statements that affect a consumer's decision to accept the terms of a contract

The Impacts of Ethics

Ethical behaviors within an agency or insurance company have numerous consequences. Their impact is reflected in greater profitability, increased client and employee retention, improved relationships among all parties, and a more positive working environment.

▶▶ **Knowledge Check**

Directions: Summarize the legal and ethical duties that fall to you as an insurance agent. Share and compare your self-analysis with other participants and use discrepancies as opportunities for clarification and discussion.

_____

_____

_____

Ethics and Errors and Omissions Claims

Learning Objective:

5.3 *The participant will explain methods to minimize agency Errors and Omissions (E&O) exposure and describe the proper steps to take following an E&O loss.*

Mistakes Happen

It is important to note that not all errors and omissions claims are the result of unethical decisions. Such claims are sometimes made against fully ethical agents. These well-intentioned agents simply make mistakes, as all professionals occasionally do.

In some cases, however, unethical decisions can and do contribute to Errors and Omissions (E&O) claims. Contributing factors to these claims include:

- the ready availability of legal services
- the "deep pocket" concept, or the belief that full compensation is likely because a defendant is wealthy
- the "spread of the risk," or the pooling of risks from more than one source
- the use of insurance consultants and expert witnesses by attorneys
- changing legal standards
- the impact of public media
- increased specialization of services and markets
- growing complexity and diversity in policies and forms

Failure to procure coverage

Misrepresentation of goods or services

Regulatory and Ethical Duties of an Insurance Agent

Several legal and ethical duties fall to an insurance agent. Agents are expected to:

- Use reasonable diligence to procure insurance requested by a client and inform the client if unable to do so
- Notify the client when the agent receives information pertaining to the expiration date of a client's policy
- Renew a policy or notify a client of non-renewal
  — direct bill versus agency bill
  — reason other than non-payment of premium

Circumstances that Can Lead to E&O Claims

Certain circumstances may lead to E&O claims. They include:

- when agencies and insurance companies are bought and sold
- after the loss of a key employee
- brokering through an unknown managing general agent (MGA) and use of other forms of risk transfers
- serving new clients
- selling new products, policies, or forms
- following changes in business methods and technologies
- post-disaster

Common Causes of E&O Losses

Errors and Omissions losses have multiple underlying causes. Clients, carriers, and state regulators can make claims against an agent or agency for a number of reasons.

Failure to maintain or renew coverage	Failure to advise of cancellation or non-renewal of coverage	Lack of coverage or modified coverage	Failure to place on best terms available
Misleading a client	Placing a client with an insolvent or unauthorized insurer	Failure to service a policy	Changing established services

Clients - make claims for a variety of reasons, such as the following:	Insurance carriers - also make claims against an agent or agency. Common reasons include:
Failure to follow legal and appropriate instructions	
Failure to supply information or disclose underwriting information	
Misrepresenting the risk to the company	
Failure to properly process a claim or providing unauthorized instructions to the insured about a claim	
Individual states - make claims against an agent or agency for reasons, such as:	
Licensing requirements	Prohibition against "twisting" and replacement codes
Rebating	Failing to satisfy federal employment laws
Use of a trust account	Deceptive trade practices
Unfair claims practices	

Taking Protective Steps

There are four basic measures an agency can take to protect itself from E&O claims.

1. Education

Employee education begins from the first day of work within an agency until the last. In other words, education is a constant in the life of an employee.

Agency leaders should provide adequate training for new employees and establish clear educational goals. Afterward, they should monitor each licensed employee's Continuing Education to ensure that employees take relevant classes that strengthen their knowledge. Agency leaders can also support professional designation programs to enhance employee professionalism.

Periodically, all employees should be required to attend an E&O class to help them be aware of the steps they can take to avoid E&O claims.

2. Consistent Procedures

An agency should document all of the consistent standards, procedures, and workflows for every function performed within every department within the agency. Documentation helps emphasize the value of employees performing work in a uniform manner.

3. Documentation

Client-agency interactions also require documentation. Create documentation standards and require that all client-related conversations be recorded with sufficient detail. Clear, complete documentation can save an agency in many E&O situations.

4. Assessment

Agency leaders should periodically audit workflows to assess whether employees are following agency standards and processes. Verify that auditing documentation is sufficient to defend the agency should an E&O allegation occur. Consider Assessment as the agency's "quality control."

Agency management should encourage open dialogue between themselves and employees. If employees understand an agency's vulnerability to E&O claims, they are more willing to work toward minimizing the agency's exposure.

In the Event of an E&O Claim

Should an E&O claim be made, an agency can take the following steps to protect itself:

- Have claims reported directly to the carrier by the insured.

- Hold staff meetings that include all involved agency personnel. During those meetings, discuss the situation generally. Then invite employees to briefly describe their involvement. Maintain full confidentiality, and keep in mind that any input in the agency's management system is discoverable.

- Have a coordinator gather all pertinent information and put it in a master file.

- Prepare to be a good witness by:

  — reviewing all material prior to a deposition.

  — NEVER submitting to a deposition without the benefit of counsel.

  — discussing and rehearsing questions with counsel.

  — only answering the questions asked and avoiding expositive answers.

  — allowing counsel to do their jobs by hesitating before answering questions.

  — never guessing. "I don't know" is an acceptable answer.

  — taking breaks, if necessary. They aren't limited.

  — ALWAYS telling the truth.
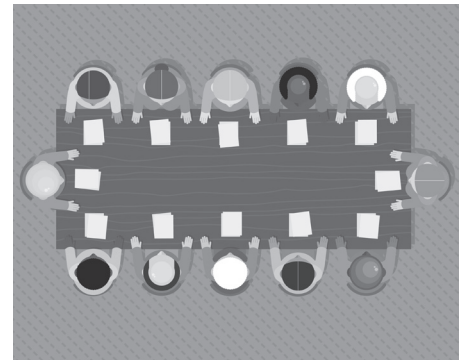
Summary

An agency's Code of Ethics serves two purposes. One, it provides guidelines for the implementation of ethical behaviors and practices in the workplace. Second, it makes a public statement, an unspoken declaration to potential and existing clients. A Code of Ethics creates a framework for the expression of an agency's value, vision, and mission. It clarifies, and when modeled by management, sets benchmarks for internal and external performance. And ultimately, when it is continuously monitored and adjusted, a Code of Ethics protects an agency from loss.

Resources

A Study Guide for this course is available for download at *scic.com/AMresources.*

Exhibits

A.   The National Alliance Standards of Conduct and Continuing Education Policy

Exhibit A: The National Alliance Standards of Conduct and Continuing Education Policy

<div style="border:1px solid">

The National Alliance Standards of Conduct and Continuing Education Policy

I. Background

The National Alliance for Insurance Education & Research (TNA) exists to promote professional excellence and improve professional standards through comprehensive education in the insurance and risk management industries. With these goals in mind, TNA offers and develops programs that teach understanding and analysis of complex insurance contracts and risk management techniques through several series of courses.

Participants who pass each respective series of challenging exams earn prestigious designations and secure the right to use those designations with pride and proper conduct.

TNA, through the Boards of Governors and Directors, has exclusive authority to determine who may use its trademarked designations. The Boards grant individuals permission to use these designations based upon their agreement to abide by certain terms and conditions specified by the Boards, including those stated in this policy.

As a part of the designation process and the terms and conditions imposed upon designees and participants, the Boards require professional standards necessary for competency, which include currency and awareness of ever-present changes. Thus, for retention of all current designations, TNA, through its Boards, requires the fulfillment of continuing education requirements.

Furthermore, TNA upholds the principles of legal, ethical, and moral practices in fields where professionals are responsible for the financial well-being of individuals and corporations. These principles form the basis for the Boards' Rules of Conduct, which establish a level of professionalism required of all designees to maintain all current designations.

Designation Programs

Although various levels of knowledge and experience are requisite for success, matriculation in any TNA program is open to anyone in the insurance and risk management fields: insurance company and agency staff, captive and direct writer agents, independent agents and brokers, wholesalers, surplus lines brokers, consultants, adjustors, actuaries, attorneys, and risk management professionals.

From the more basic Certified Insurance Service Representative (CISR) and Certified School Risk Manager (CSRM) to the more technical Certified Insurance Counselor (CIC), Certified Risk Manager (CRM), and Certified Personal Risk Manager (CPRM) designation programs, and other programs to be developed in the future, TNA courses address practical applications for everyday use by insurance and risk management professionals.

Timeframe: For TNA designation conferment, each candidate must complete all of the prescribed series of courses, passing the exam given at the end of each classroom or online course, all within the established timeframe as outlined in website pages, promotional materials, and publications.

Requirements for Maintenance of Designation

Once a TNA participant attains a designation and experiences the recognition, prestige, and career fulfillment associated with that designation, the participant must attend at least one

</div>

program annually to maintain the designation. This annual update must be one of the sanctioned programs offered by TNA and associated with that designation, as outlined in various website pages and publications.

No tests are required to maintain a designation. However, some of the update options are available only to dues-paying members of TNA.

II. Rules of Conduct

All persons who have heretofore been granted the rights and privileges of a TNA designation shall conduct themselves in an ethical and professional manner. The Rules of Conduct (which include, but are not limited to, the following) govern all designees who have rights to use the designations.

A. A designee shall not engage in conflicts of interest.

B. A designee shall not violate state insurance and risk management laws or statutes. Examples include, but are not limited to, licensing, advertising, or unfair trade or claims practices.

C. A designee shall not violate Federal insurance law involving the Risk Retention Act, privacy under the Privacy Act of 1974, 5 U.S.C., Health Insurance Portability and Accountability Act of 1996, Gramm-Leach-Bliley Act of 1999, USA Patriot Act, 15 U.S.C., Sarbanes-Oxley Act of 2002, and/or other discrimination, unfair competition, or intellectual property laws.

D. Designees shall not infringe upon copyright or trademark regarding any materials published by TNA.

E. A designee shall not act in a manner that causes the designee's risk management license or risk management consulting license, or insurance-related license or permit to be canceled, revoked, suspended, or restricted by an official regulatory body or by a court, and/or causes the surrender of such license or permit under the threat of or after the commencement of cancellation, revocation, or suspension proceedings by an official regulatory body or the initiation of litigation to cancel, revoke, or suspend such license or permit.

F. A designee shall not violate obligations to TNA and its Boards:

1. A designee shall abide by the terms of all agreements as established by TNA and its Boards, including but not limited to, using the designations properly and cooperating fully with TNA copyright, trademark, and professional review
operations and requirements.

2. A designee shall meet the continuing education requirements to retain the right to use the designation.

VII. Designation Disciplinary Policies and Procedures

Violations of the Rules of Conduct outlined in this policy may subject a designee or registrant to disciplinary action. TNA and its Boards are the certifying and standards-setting bodies for those individuals who have fulfilled the requirements of the designation program and must continue to fulfill those requirements. These Rules of Conduct contain professional and ethical standards and form the basis of a fair process for the conferment and maintenance of the designations granted by TNA, which through its Boards reserve the right to exercise disciplinary actions or to revoke its designations as circumstances dictate. Additionally, the Rules of Conduct are not designed to be a basis for legal liability to any third party.

Action Prior to Designation Revocation

Before instituting Revocation Procedures as outlined in Section III below, appropriate TNA personnel may implement procedures to allow a designee who has committed one of the following violations to continue to maintain the designation. TNA openly and responsively works with designees to determine the appropriate process to maintain or reinstate a designation, with revocation remaining the last resort.

A. Failure to Annually Update

Each TNA designee must attend an appropriate TNA program in its entirety during each 12-month period, determined by the designee's birth month. Each designee who has not completed an annual update in a timely manner receives scheduled reminder notices. If the designee has sufficient justification for failing to update during this time, TNA personnel will work with the designee to complete the update within a reasonable length of time agreed upon by designee and TNA personnel.

After the scheduled reminder notices, and before TNA initiates final revocation of a designation for failure to update, the individual will receive a letter advising the designee of the intent to revoke the designation. This letter offers the person an opportunity to contact TNA to seek reinstatement of the designation.

To request reinstatement of the designation, the designee must contact TNA Programs Services Department and agree to the following remedial program.

1. The CIC/CRM/CPRM (or other 16- or 20-hour program) designee must attend two different 16- or 20-hour (classroom or online) programs within the 12-month period following the missed update period.

2. The CISR/CSRM (or other one-day program) designee must attend two different one-day programs (classroom or online) within the 12-month period following the missed update period.

3. The designee must submit any requisite membership dues payment.

4. The designee must complete and sign the "Intent to Reinstate" form provided by TNA, outlining expected actions.

   If the designee does not comply with the above conditions, TNA personnel shall have the authority to revoke the designation. Should the individual choose to appeal the decision, the revocation procedures must be followed by the designee.

B. Failure to Comply with Attendance Requirements During Update Seminars, Courses, or Programs

1. Attendance Documentation: Each participant must sign every Attendance Verification when it passes through the classroom. TNA uses Attendance Verification at every program for two reasons: to verify attendance for state licensing CE requirements and to verify attendance to meet TNA update requirements.

2. Missed Time: Missed time may include a missed Attendance Verification or missed classroom time due to arriving late or leaving early (including breaks, lunch, etc.).

3. Missed Time and Failure to Sign Verification Procedures: The on-site Educational Consultant/ Coordinator for 16- and 20-hour programs and Instructor/Coordinator for one-day programs control all Attendance Verification and must report any Missed Time and Attendance Verification discrepancies to TNA.

4. Corrective Actions: TNA handles Missed Time and Attendance Sheet discrepancies on an individual basis to comply with state CE laws and TNA attendance requirements. If a designee does not agree on and take required remedial action, TNA personnel shall have the authority to remove the designation as described above. Should the individual choose to appeal the decision, the revocation procedures must be followed by the designee.

C. Alternative Disciplinary Procedures Following Discovery of Breaches of TNA Rules of Conduct

If TNA receives notice or complaint about breaches of TNA Rules of Conduct by a designee, it will proceed with appropriate investigation and action on an individual basis. If after such investigation, the circumstances appear to merit revocation procedures against the designee, TNA personnel will forward the case to the Boards to initiate the revocation procedures discussed in Section III.

Alternative TNA disciplinary procedures may include such measures as required attendance by the designee at a TNA Ethics course; required attendance at an appropriate additional seminar or course; or required attendance at an appropriate additional course and earning a passing grade on the corresponding examination. This attendance must take place within a period determined by TNA.

Designation Revocation Policy and Procedures

Pursuant to the authority granted by the Bylaws of TNA, the Boards establishes the following Rules of Conduct policy, which must be followed for retention of designations. This Policy sets out the procedures, rules, and guidelines for revocation and/or subsequent reinstatement of the designations heretofore granted by TNA to any person.

A. Breaches of TNA Requirements or Rules of Conduct

Breaches of TNA continuing education requirements or Rules of Conduct included within this policy may be a basis for revocation of designation.

B. Revocation of a Designation

If, for reasons including but not limited to those listed above, any person who has heretofore received a TNA designation fails to satisfy the requirements and/or ethical and professional standards of conduct of TNA and the other qualifications of individuals so designated, the Boards may revoke the designation.

1. Immediate Revocation for License Violations

a. If the Boards ascertain 1) that a designee's risk management license or consulting license or insurance-related license or permit has been canceled, revoked, suspended, or restricted by an official regulatory body or by a court, 2) that such designee has surrendered an insurance-related license or permit under threat of or after the commencement of cancellation, revocation, or 3) that suspension proceedings by an official regulatory body or the initiation of litigation to cancel, revoke, or suspend such

license or permit, the Boards may immediately revoke that person's designation. This may be done without prior notice to that designee that the Boards are contemplating taking an action to revoke the designation.

b. The Boards will give written notice ("Revocation Notice") of such revocation to the person whose designation has been revoked within thirty (30) days after the revocation action.

c. The designee has sixty (60) days after receipt of the Revocation Notice to request that the Boards reconsider its revocation decision ("Reconsideration Request"). Such Reconsideration Request must be made in writing and include all explanations, arguments, exhibits, and other materials that the person deems appropriate for the Boards to consider. The person may request an informal hearing in which to make an oral presentation to the Boards or its designated representatives; and the Boards may, in their sole discretion, grant such a hearing, but it shall not be required to do so. If the Boards do not receive a Reconsideration Request on or before the expiration of the 60-day period, the revocation shall continue until otherwise decided by the Boards.

d. If a Reconsideration Request is made within the 60-day period, the Boards shall give the person written notice of its decision ("the Reconsideration Decision") within one hundred fifty (150) days after receiving the Reconsideration Request.

2. Revocation for Other Cause

a. If the Boards receive notice or complaint, or through other means of discovery, determines that any designee has otherwise breached TNA requirements or Rules of Conduct, the Boards may initiate its own Revocation Proceedings.

b. The Boards will give written notice ("Revocation Proceedings Notice") of the initiation of the Revocation Proceedings to the designee.

c. The designee shall have sixty (60) days after receipt of the Revocation Proceedings Notice to respond ("Revocation Hearings Response"). Such Revocation Hearings Response must be made in writing and shall include all explanations, arguments, exhibits, and other materials that the designee deems appropriate for the Boards to consider. The designee may request an informal hearing in which to make an oral presentation to the Boards or its designated representative; and the Boards may, in their sole discretion, grant such a hearing, but shall not be required to do so. If the Boards do not receive a Revocation Proceedings Response on or before the expiration of the said 60-day period, the Boards shall revoke the designee's designation at of the end of the 60-day period.

d. If the Revocation Proceedings Response is received within the 60 days, the Boards shall give the designee written notice of its final decision (the "Revocation Decision") within one hundred fifty (150) days after receipt of the Revocation Proceedings Response.

C. Reinstatement of Revoked Designation

1. Any individual whose designation has heretofore been revoked under the provisions of B. 1. or B. 2. may apply to the Boards for reinstatement ("the Reinstatement Application"). Such Reinstatement Application must be made in writing and shall include all explanations,

arguments, exhibits, and other materials that the individual deems appropriate for the Boards to consider. The individual may request an informal hearing in which to make an oral presentation to the Boards; and the Boards may, in their sole discretion, grant such a hearing, but shall not be required to do so.

2. The Boards shall give the individual notice of its decision (the "Reinstatement Decision") within one hundred fifty (150) days after receipt of the Reinstatement Application.

IV. Evidentiary Matters

The Boards, in making their decision regarding revocation or reinstatement of a person's designation, shall be allowed, but shall not be required, to make its own independent investigation of the facts and receive oral presentations from any persons. The Boards, in making their decisions, shall not be bound by any particular rules of procedure or evidence.

V. Duty to Investigate

Other than ongoing disclosures of update requirement breaches as reported by TNA database and personnel, the Boards shall not be required to make ongoing or periodic investigations of the conduct of persons holding TNA designations. The Boards shall, in their discretion, investigate allegations of violations of its ethical or professional standards if they receive actual notices or complaints.

VI. Alternative Requirements Regarding Revocation or Reinstatement

The Boards, as a condition to any decision regarding revocation or reinstatement, may impose any lawful requirements on the person being considered for revocation or reinstatement. The Boards may further require whatever proof it deems appropriate that the individual has satisfied or performed the requirements set by the Boards.

VII. Finality of Decisions and Discretion of the Boards

The decision of the Boards regarding revocation or reinstatement shall be final and shall not be subject to judicial review. All decisions and actions of the Boards shall be at the complete and sole discretion of the Boards.

VIII. Referral to Committees of the Boards of Governors and Directors

The Boards may refer any action to a committee of the Boards. Once the Boards have referred an action to a committee of the Boards, the committee may proceed to final resolution without further action by the full Boards, unless such action or review is required under the Bylaws. In the event of such a referral, all references in this Policy to the Boards shall apply to the committee. In adopting this Policy, the Boards simultaneously refer all matters under this Policy to the Executive Committees.

IX. Notices

All notices to be given by the Boards pursuant to this Policy on Retention of designations shall be given by mail addressed to the person's last known address shown on TNA records. Notice to be given by the Boards shall be sent by certified mail.

Passed by the Boards on the 26th day of February 2008 and superseding all previous Board Policies concerning the Revocation and Retention of Designations

Section 5: Self-Quiz

Directions: Choose words from the word bank to fill in the blanks.

agency	ethics	profession
beliefs	guiding principles	right
business ethics	individual	wrong

1. The rules or standards associated with one's moral duties and obligations are called
    _____. They are _____,
    or collective _____ and values that members
    of a society use to guide personal decisions and to differentiate between
    "_____ and
    _____"

2. The principles that guide the decisions of individuals and groups within a given
    _____ are called _____. They
    focus on principles and problems that occur within a business environment, such as
    an agency. Business ethics apply to each _____ within an
    agency and to the _____ as a whole.

Directions: Name two factors that influence the application of business ethics within the
insurance industry.

1. _____

2. _____

Directions: Write the letter of the phrase that defines each principle.

A. Honesty	_____ making every effort to fulfill commitments
B. Loyalty	_____ avoiding deception
C. Respect for Others	_____ respecting human dignity
D. Leadership	_____ protecting a company's reputation and safeguarding employee morale
E. Integrity	_____ following the Golden Rule
F. Fairness	_____ exercising power without taking advantage of others
G. Law Abiding	_____ accepting responsibility for one's decisions
H. Reputation and Morale	_____ demonstrating fidelity to clients, colleagues, and institutions
I. Trustworthiness	_____ recognizing the responsibilities attached to positions of leadership
J. Concern for Others	_____ doing what is right, even when under pressure to do otherwise
K. Commitment to Excellence	_____ being well-informed and dedicated to improving professional proficiency
L. Accountability	_____ following rules, regulations, and laws

Directions: Circle the word or words that complete each statement.

1.   An ethical individual _____ before acting.

          speaks   **thinks**

2.   An ethical individual demonstrates _____

          self-discipline   **caution**

3.   An ethical individual behaves _____.

          consistently   **with quiet dignity**

4.   An ethical individual accepts responsibility for the _____ of her/his _____.

          consequences/behaviors   **integrity/leadership**

Directions: Circle True or False.

An agency is neither ethical nor unethical.

1.   Every agency should have a Code of Ethics.

          True   **False**

2.   A Code of Ethics is the foundation of an agency's value system.

          True   **False**

3.   An agency's Code of Ethics is reflected in its public image.

          True   **False**

4.   Employees should take primary responsibility for establishing an agency's Code of Ethics.

          True   **False**

5.   Agency leaders should be aware of what drives employee behaviors.

          True   **False**

6.   Ethical practices should move from top to bottom within an agency.

          True   **False**

7. Implementing a Code of Ethics is a one-time effort.

True   **False**

8. Agency leaders can use client surveys to evaluate how well an agency's Code of Ethics is working.

True   **False**

Directions: Put a check (√) mark next to each reason individuals or groups choose to act unethically.

☐ Managers do not model a Code of Ethics.

☐ Employees feel it is unsafe to speak honestly to management.

☐ Managers promote competition.

☐ Managers establish unrealistic performance targets.

☐ Managers treat employees differently, giving some individuals advantages that others don't have.

Directions: Choose words from the word bank to fill in the blanks.

legal action	regulatory
profitability	reputation

The consequences of unethical behaviors in an agency can include harm to the agency's

_____, exposure to _____, a

decrease in _____, and _____

actions.

Directions: Underline the factors that contribute to the identification and establishment of ethical responsibilities in the workplace on the basis of law.

employee morale	peer standards	client feedback
reliable research	social media	expert testimonies
case laws and statutes	web surveys	

Directions: Choose words from the word bank to fill in the blanks. Words may be used more than once.

client dependence	length of time
decisions	make
fiduciary	responsibility
intimate knowledge	special relationship

1. Some situations may lead a court to determine the existence of a(n) "_____" between a client and an agent. Although these determinations can vary dramatically by state, they can be triggered by an agent's _____ of a client, the _____ of their relationship, the degree of _____ on the agent, or an agent simply agreeing to _____ insurance or risk management _____ on behalf of a client.

2. In insurance transactions, a(n) _____ relationship — a relationship in which an agent, agency, or insurance company is expected to act in the best interests of a client — is held to a higher degree of _____ than _____ relationships in many other businesses.

Directions: Circle the word or words that complete each statement.

1. In a special relationship, an insured asks for _____ and an agent provides _____.

                    recommendations/advice   **regulations/legal statutes**

2. A(n) _____ is a party authorized to act ethically on behalf of another. Parties include principals, agents, and third parties.

                    special relationship   **legal agent**

3. An insurance agent is appointed by a(n) _____ to solicit applications, collect premiums, and bind policies.

                    broker   **insurer**

4. A(n) _____ acts or aids in negotiating insurance contracts.

insurance counselor   **broker**

5. A managing general agent has _____, claims, and reinsurance placement authority from an insurer.

solicitation   **underwriting**

Directions: Draw lines to match each kind of agency authority to its meaning.

actual, or expressed, authority	An insurance agent has no authority of any kind to work with clients who are seeking insurance.
implied authority	An insurance agent demonstrates practices that appear within the her/his scope of authority, based on historical practices.
apparent authority	An insurance company grants oral or written authority to an agent for the purpose of selling and servicing an insurance policy.
non-existent authority	An insurance company gives an agent authority to perform all of the usual and necessary tasks required to sell and service an insurance policy, *but* it does not issue that authority verbally or in writing.

Directions: Define the term *unfair trade practice*.

_____

_____

_____

Directions: Choose the word or words from the word bank that match each description.

claims practices	**rebating/gift offers/false free prizes**
false advertising	**tied selling**
misrepresentation	**twisting and replacement codes**

1. making unnecessary demands of a client for the purpose of processing or settling a claim _____

2. making false statements that affect a consumer's decision to accept the terms of a contract _____

3. using confusing, misleading, or untrue statements to promote the purchase of a product or service _____

4. offering an inducement to do business with an agency

    _____

5. suggesting a client purchase additional life insurance or a replacement policy purely for the purpose of generating additional commission

    _____

6. making the purchase of one product or service contingent upon the purchase of another _____

Directions: List five consequences of the practice of ethical behaviors within an agency.

1. _____

2. _____

3. _____

4. _____

5. _____

Directions: Circle True or False to indicate whether each factor can contribute to E&O claims.

1. the belief that a defendant has an extensive legal team

    True   **False**

2. changing legal standards

    True   **False**

3. the abundance of insurance agencies nationwide

    True   **False**

4. the influence of public and social media

    True   **False**

5. increased specialization of services and markets

    True   **False**

6. the availability of expert witnesses

    True   **False**

7. complex policies and forms

    True   **False**

Directions: Choose words from the word bank to fill in the blanks.

expiration date	reasonable
inform	renew
non-renewal	

Several legal and ethical duties fall to an insurance agent. Agents are expected to:

1. use _____ diligence to procure insurance requested by a client and to _____ the client if unable to do so

2. notify the client when the agent receives information pertaining to the _____ of a client's policy

3. _____ a policy or notify a client of _____

Directions: Underline the circumstances that can lead to E&O claims.

the loss of a key employee	following a disaster	selling a new product
new forms	non-payment of premiums	direct versus agency bill
changes in business methods and technologies		

Directions: Write letters in the correct columns to sort the reasons different parties make E&O claims.

Why Clients Make Claims	Why Insurance Carriers Make Claims	Why States Make Claims

A. failure to follow legal instructions

B. failure to procure coverage

C. changing established services

D. failure to meet licensing requirements

E. deceptive trade practices

F. use of a trust account

G. failure to place on best available terms

H. failure to supply underwriting information

I. lack of or modified coverage

J. misrepresentation of risk to the company

Directions: Fill in the blanks to name four basic steps an agency can take <u>to protect itself</u> from E&O claims.

1. _____ from the first day of work within an agency until the last

2. documentation of _____ standards, procedures, and workflows

3. standards that result in clear and complete _____

4. internal _____ of agency standards, processes, and documentation

Directions: List four steps an agency can take to protect itself <u>following</u> an E&O claim.

1. Have claims _____ by the insured.

2. Discuss the situation generally with _____ to understand their involvement.

3. Have a coordinator _____ and _____.

4. Prepare to be _____ .

Directions: Circle True or False.

An employee can prepare to be a good witness by:

1. reviewing all materials after a deposition

   True   **False**

2. always submitting to a deposition, with or without counsel

   True   **False**

3. avoiding rehearsing answers

   True   **False**

4. hesitating before answering questions

   True   **False**

5. being willing to say, "I don't know."

   True   **False**

6. always telling the truth

   True   **False**

Appendix

Preparing for the Final Exam

For many learners, test preparation is stressful. Please keep in mind that the most important measure of your knowledge will be witnessed in your service to your organization. Think of a test as a tool. Use it to come to an understanding of what you know, how it affects your work, and what more you would like to know to have even greater success in the workplace.

The testing period for the Final Exam is two hours long. You are required to earn a minimum of 140 out of 200 possible points. Questions appear in the order of presentation of the topics.

Remain aware of the time as you take the test. Pace yourself and be aware that unanswered questions are considered incorrect.

Study Guide

Use your browser to access a downloadable Study Guide at **scic.com/AMresources.**

The Self-Quizzes offer a variety of brief activities to help you become more familiar with the content in this Agency Management Learning Guide. Check your answers to gain confidence in your understanding of the concepts and details presented in this course.

Study Techniques

There are some techniques you can use to help you prepare for the end-of-course test. Apply the same techniques to each section in your learning resource.

1.   Review the Section Goal.

2.   Re-read the Introduction.

3.   Review each Learning Objective.

4.   Change each heading and subheading into a question. Then answer the question. For example:

      Heading: The Vision Statement

      Question: What is a vision statement?

5.   Review each diagram, graph, and table. Interpret what you see. Ask yourself how it relates to a specific learning objective.

6. Check your answers to each Knowledge Check. Consider ways to improve your original answers.

7. Re-read the summary at the end of each section.

8. Review any comments, highlights, or notes you made in each section.

9. Build mind maps to find the connections among the concepts presented in the learning resource.

10. Rewrite important ideas in your own words. Find ways to relate your work experiences to those ideas.

11. Make flash cards to help you review important vocabulary.

Sample Test Questions

Sample 1

Directions: Agency ABC considers what products and insurance company offers. Mark each factor the agency will likely consider a positive about the company's products.

1. _____ The coverage provided

2. _____ The price of the product

3. _____ The company's strategic goals for making a profit

4. _____ The company's filing with the state insurance department

5. _____ The commission paid to the agency

Sample 2

Directions: Which of the following would be considered an agency Selling expense? Circle the correct answers.

1.   Travel costs

2.   Postage

3.   Payroll taxes

4.   Rent

5.   Pensions

Correct Answers:

Sample 1: The correct answers are **1, 2, 5**.

Sample 2: The correct answer is **1**.

Glossary of Terms

actual or express authority   a form of agency authority that is plainly granted, either orally or in writing, by an insurance company

administrative expenses   a category of agency expenses associated with agency management, including rent, utilities, leases, professional services, automation, education, licenses, professional memberships and fees, marketing and advertising, and insurance

agency culture   the system of values, beliefs, and practices that drives and influences what and how things are done within the agency

agency value   used to assess the financial health of an agency based on various criteria

apparent authority   agent behavior that leads a client to suppose authority

assets   what an agency owns and what is owed to an agency by others

balance sheet   a detailed listing of what an agency owns (assets) and owes (liabilities) and capital at a specific point in time

budget   a monthly account of an agency's financial health; a comparison of monthly results to projected results

comparative rating system   a third-party, or vendor, rating program that enables an agency to obtain accurate risk quotes from several carriers

compensation expenses   the largest category of expenses within an agency; includes owner compensation, sales salaries and commissions, staff salaries, employee benefits, payroll taxes, and pension and profit-sharing

conversation control   a set of recommendations used for conducting successful interviews

conversion   moving from one technology product to a different technology product

cross-selling   the process of extending a client's coverage by enhancing an existing policy or adding new policies

current assets   any cash, accounts receivables, marketable securities, prepaid expenses, and any other assets that will be converted to cash within a 12-month period

current liabilities   accounts payable, accounts current, payroll taxes, and notes payable within the next twelve months

disruptor   an event that triggers a need for change

downloading   the process of transferring information electronically from an insurance company database to an agency management system

early capture   a document management method; the processing of documents immediately upon their arrival at an agency

encryption   the process of encoding data to protect information from unauthorized access

ethics   the rules or standards associated with moral duties and obligations

expectation gap   a difference between the reality of a position and what an interviewer describes to a candidate during an interview

fiduciary relationship   a relationship in which an agent, agency, or insurance company is expected to act in the best interests of a client

financial model   how revenue is allocated to various expense items within an agency

fixed assets   also called long-term assets; tangible items, such as cars, desks, and office equipment

goals   the concrete and measurable aims of an agency; the measurable results or achievements toward which all agency efforts are directed

Halo Effect   the tendency to attribute positive characteristics to people who appear more attractive

hard costs   rent, fixed equipment expenses; the costs of providing physical tools and spaces for those tools

implied authority   authority not actually expressed or communicated by an insurance company to an agent that allows the agent to perform all of the usual and necessary tasks to sell and service an insurance policy

income statement   a profit and loss (P&L) statement that shows an agency's revenues and expenses over a specific period of time

initial load   the one-time loading of a new or existing agency management system from a specific company

InsurTech   the application of technology innovations aimed at reducing costs and increasing efficiency across current industry models

late capture   a document management method; the processing and then scanning of documents upon their arrival at an agency. After scanning, documents are distributed within the agency or to a vendor for electronic storage.

legal agent   a party authorized to act ethically on behalf of another

liabilities   what an agency owes to others, including current and long-term liabilities

liquidity ratio   a tool used to measure an agency's ability to pay its obligations; includes trust and current ratios

long-term assets   also called fixed assets; tangible items, such as cars, desks, and office equipment

long-term liabilities   payments due more than twelve months into the future

management expenses   a category of agency expenses associated with short- and long-term growth goals that reflect the results of a situational analysis

mission statement   a statement that clearly describes an agency's purpose and focus; that identifies its goals for growth; and that identifies characteristics related to service, income, and profit

multitasking   taking on numerous tasks at once

non-compete agreement   a document that forbids a former employee from selling insurance within a specific geographic territory for a specific length of time

non-disclosure and confidentiality agreement   a document that forbids a former employee from disclosing confidential information acquired during employment

non-existent authority   the absence of authority from an insurance company to an agent to represent that company

non-piracy agreement   a document that forbids a producer from soliciting or writing the existing clients of a former agency for a specific length of time after leaving the agency

operating account   monitors day-to-day expenses within an agency

owners' equity   also called shareholders' equity; the start-up capital and earnings retained by a business; summarized by the equation Assets – Liabilities = Owners' Equity, or Net Worth

premium trust account   monitors cash coming in from accounts receivable and cash going out to pay current balances and commissions

principles   standards of behavior

procedure   the specific things an agency must accomplish to achieve a standard. Each component of a procedure identifies who is responsible, what needs to be done, and when it should be completed.

proprietary rating system   rating systems with controlled access through log-ins and passwords

ratio   a comparison of two values, such as assets and liabilities

selling expenses   a category of agency expenses that includes costs associated with travel, entertainment, advertising, and agency vehicles

situational analysis   an examination of both the external and internal factors that help an agency determine its goals and subsequent action plans

soft costs   the costs attached to providing employee training; the costs attached to the services required to implement technology

soft skills   skills employees bring to their work that are not typically found on a résumé, such as the ability to communicate effectively, engage in creative problem solving, remain adaptable and flexible, and demonstrate social and emotional awareness

special relationship   a long-term relationship built on confidence in or reliance on an agent to make ethical coverage recommendations and/or decisions

standard   a stated, acceptable level of performance in every area of an agency's operations

STAR   an interview strategy (Situation, Task, Action, Result) used to elicit responses to competency focused questions

start-up   the initial and fragile stage in an agency's growth in which the owner or manager handles all tasks related to agency management

strategic planning   a formal process of determining the identity, direction, and action that an agency will undertake

SWOT analysis   a tool for evaluating an organization's strengths, weaknesses, opportunities, and external and internal threats

unfair trade practice   a fraudulent, deceptive, or unethical behavior enacted for the purpose of obtaining business

upgrade   moving from one version of a management system to another and/or adding an additional product to an existing system

utilization   making practical or efficient use of something

value statement   a statement communicating an agency's core principles; an expression of an agency's aspirations and behaviors, or codes of conduct, that matter the most to an agency's leadership

vision statement   a statement communicating what an agency is trying to achieve, its long-range goals, and characteristics that guide its strategic development

VoIP   Voice over Internet Protocol; the delivery of voice and multimedia data over networks, such as the internet

workflow   the specific keystrokes and steps employees need to perform to complete a procedure