The Value of Relationships
by Chris Burand

An agency owner recently shared with me the tale of two carriers. One carrier, a regional company, discovered a past mistake in their contingency calculation and sent a check to the agency for just a smidgen under $100,000! The agency would never have discovered this mistake on their own, and the company certainly knew the agency would never have discovered it because the mistake was buried like a needle in a haystack. The company's actions were purely benevolent. They did what was right. Every reader can bet the agency owner will be even more loyal to that company.

Coincidentally, within the same month, the same agency received notice from a national carrier that the agency's great loss ratio and significant volume was still inadequate for a decent contingency because their book had not grown enough.

I make the point of distinguishing these companies as regional versus national because regional carriers have been eating the national carriers' lunches these last few years. The regionals have succeeded because most never forgot the value of the agency-company relationship. On the other hand, many carriers, and especially national carriers, use "Men in Black"-like phasers to obliterate all such thoughts from their minds. As a writer and consultant, I do not make this strong statement casually. Here is some proof.

Five or six years ago, a national carrier made a mistake on every single contingency calculation. Some mistakes were in the agencies' favor and some were in the carrier's favor, but the net was probably a wash. However, the carrier never told any of their agents about this mistake. I discovered the mistake while verifying an agency's contingency bonus. I informed all my clients of the mistake and each of these agents notified the company, so the company was aware of it. I waited, in vain, for the company to tell *all* their agents.

Two years ago, independent agencies had between 12 and 15 national, traditional commercial carriers. Today, depending how one counts them, that number has been reduced to between 5 and 7 companies. This dramatic reduction did not occur because these defunct carriers had great agency relationships.

The top twenty regional carriers' net written premium grew by 16 % in 2002. The top 10 (we still had 10 in 2002) nationals grew 12%. The smaller national carriers performed even worse.

I believe the root of many poor agency-company relationships lies in the companies' failures to focus on their products. Large public companies bear a heavy burden called Wall Street. This burden is partially to blame because companies must focus so much energy and time on their financial risk and earnings targets. Many companies went way too far though and forgot what business they were in.

This situation is like one or two television networks who are now wondering why no one watches their shows. They have been so busy with acquisitions/mergers/cross-selling, they forgot to make good shows. It is like a major, though broke, retailer thinking they will be saved by changing their logo colors.

Sometimes the key to business success is rather simple: Remember the business you are really in and focus on providing that product or service to the best of your ability. In the insurance world, the key is remembering we are all in the insurance business first and the investment business second. For insurance companies, this also means remembering that agents provide the distribution network for their business product.

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