

What Does an Agency Owe Its Producers?

By Chris Burand

This is the softest market the property and casualty insurance industry has ever experienced. To thrive, agencies must eliminate waste, work harder, and work smarter.

Producer productivity is absolutely the key to thriving in this soft market. Producer productivity is not just producers selling enough—it is about selling enough efficiently. This means quality accounts. It means giving a work product to the staff that enables them to do their work efficiently or letting the staff collect the data for a cut of producer's compensation. It means good producer management.

Greater producer productivity begins with a production team that includes only **producers**. Too many agencies employ people with the title "Producer" who do not really produce.

If you want your agency to thrive in this market, answer the following question honestly: Are ALL your employees with the title Producer truly producers? Do not answer based on what you wish your producers did or what your producers should do. What true value does each producer bring to your agency? The biggest mistake agencies make every single day is paying and treating non-producing producers as true producers. The results are excessive payrolls, damaged morale, shattered productivity and lousy profits.

These non-producing producers likely bring some value. But they are not in the job that fits their particular skill set. Athletic teams do not pay second and third string players the same as first string players, so why should an agency pay producer wages to an employee whose title is Producer but who is really not a producer?

When agencies were flush, they could get away with this. They could and they did subsidize poor producers. Today, there is not enough extra revenue to continue subsidizing employees who are not completely pulling their weight. Management can push to get more and more out of them, but they are in the wrong job. It's like trying to squeeze blood from a turnip. They are often good people with other valuable attributes, so perhaps a more appropriate job at a more appropriate wage can be designed for them.

Agencies expend a considerable amount of time, money and energy trying to get non-producing producers to produce, so once an agency helps these people find a different position that fits their skill set better, more resources can be focused on people who can sell.

Once the production team consists entirely of true producers, what resources does an agency owe its true producers?

1. A good customer service representative (CSR) when the producer's production is sufficient to earn a CSR, but not before. By "good," I do not mean a CSR who will do the producer's work for him or her.

2. An agency owes established producers a fair wage for honest, good work. What is fair work? A true producer must generate at least \$300,000 of self-produced commissions.
3. An agency with a good reputation.
4. A good IT system.
5. New producers deserve good training and mentoring. This is not only fair, but it is also smart producer management.

That's it. Agencies do not owe their producers anything else. They do not owe their producers an expense account, a car or even a lead list. These items can arguably make producers more successful, but that does not mean they are owed these perks.

And these items are truly perks. What would happen if these perks increased as a producer's book increased? When an agency increases producers' perks as their books increase, the agency is focusing its biggest resources on its most important assets, which makes a lot of sense. Agency expenses would decline if managed well because the value of the perks need not increase at the same rate as sales. If these perks are limited to reasonably sized books, these expenses are minimized.

These are all aspects of good producer management and a benefit of good producer management is that morale increases for all but the less successful producers because employees see a fair capitalistic system. An entitlement environment is eliminated which also improves morale. Management of the agency is easier because when producers gripe, the best answer is, "produce more." It creates a more competitive environment, pushing each producer to greater success.

In visiting dozens and dozens of agencies, I have rarely seen these practices. Those few that do practice good producer management achieve much greater success than those that do not. Many agencies forget that fair must eventually be based on results. The effort to be fair to all based on good faith effort is simply misguided. It's not easy to make hard decisions. However, it's easier than having a problem and knowing that you are doing nothing about it every single day of the year.

Doing it right attracts high quality people that thrive in a fair capitalistic system. Doing it right enables your agency to thrive.

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