MARKETING

PLAN AHEAD

Now is the ideal time to fortify your relationships with MGAs and wholesalers

By Phil Zinkewicz

The current recession has taken its toll on many small businesses in the United States, and the small retail property and casualty insurance agent or broker is no exception. Especially now that the market is showing signs of hardening—not yet in the sense of rising rates, but in a flattening of rate decreases that dominated the market in the last few years—it is essential for agents and brokers to seek out new business opportunities.

John Wood, president of Specialty Risk Associates, Inc., a wholesale broker in northern Louisiana, and also current president of NAPSLO (National Association of Professional Surplus Lines Offices, Ltd.), holds that view. “Now is the time that retail agents and brokers need to make sure they are taking advantage of all their new business opportunities,” says Wood. “These opportunities may include new, unique or hard-to-place risks that they are unfamiliar with. By having relationships with wholesale brokers they know and can trust, they can take advantage of these opportunities and increase their business.”

And the word “relationships” is the operative one, according to Wood. “If a retail agent or broker establishes a relationship with a wholesale broker, it can and should become a symbiotic one. A wholesale broker can offer the retail agent expertise in the specialty arena, as well as more markets and new products.

“Companies that are ‘going green,’ for example, may need new and specialty insurance coverages or medical facilities may need insurance for new medical procedures,” he continues. “Also, the wholesale broker can assist the agent or broker in rounding out accounts by being a source of new markets. The retail agent or broker can benefit from its wholesale broker partner because it will save time by not having to make multiple calls to place specialty business.”

However, Wood emphasizes the relationship must be a strong one. “When a retail agent sends us a steady stream of business, we will bend over backwards to assist him or her in whatever is needed. As the hard market approaches, the standard market will begin reconsidering some coverages, pricing and loss ratios. Some insurance business will move into the excess and surplus lines marketplace and the wholesale broker can be of considerable assistance in helping the retail agent and broker take advantage of that business.”

Additionally, Woods says, “As the recession begins to ease—as we all hope it will—there will be new start-up operations that the standard market usually shuns in a hard market and that might create new business opportunities in the E&S market.”

—John Wood
President
Specialty Risk Associates, Inc.

Give and take

One of the retail agents with which Specialty Risk Associates has formed a strong relationship is Lensing, Lensing, Cunningham and Hager, a small retail agency also in northern Louisiana. The agency has been in existence since 1954 and, while they write 65% to 70% of their business in the standard market, they can also take advantage of difficult-to-place risks because of their relationship with Specialty Risk. Their relationship can be seen as a case study in how good relationships between retail agents and wholesalers can increase business that is written by both parties.

“Forming an ongoing relationship with an established wholesale broker is essential to us as a retail agent,” says Wayne Cunningham. “Specialty Risk has the expertise and the markets that are needed for the hard-to-place risks that come our way, such as exposures in oil fields or municipalities.”
“Moreover, there are times when that relationship brings business to us,” Cunningham explains. “For example, several years ago, John called me and told me of a relatively new product that was on the market—employment practices liability insurance (EPLI). So, we presented this new product to some of our clients and many of them felt it was something they needed. The insured was happy, we were happy and Specialty Risk was happy.

“Then there was all the publicity surrounding AIG's troubles,” Cunningham continues. “We knew that it was the holding company that had all the problems and that the insurance subsidiaries were sound, but we worried that our clients might be panicking. I called John and we discussed how to handle the problem. We decided the best way to handle the situation was to wait until renewal time and offer our clients a quote from AIG and another market and let the insureds decide.”

Cunningham says that the best way for a retail agent to choose a wholesale broker with which to establish a relationship is to look at who is running the wholesale broker, what staff they have, what their portfolio of markets is like and how their claims service functions. “For us, Specialty Risk fit the bill in all categories,” he says.

Helpful handbook

Coryn Thalmann, CEO of Jimcor Agencies, a wholesale broker located in Montvale, New Jersey, and Jimcor’s marketing director, Donna Chiapperino, who is also first vice president for the Professional Insurance Agents of New York (PIANY), have both been working on a new guide to be jointly produced by AAMGA (American Association of Managing General Agents) and the PIA. The purpose of the guide, according to Thalmann, is to develop a better understanding between wholesale brokers and retail agents of their respective responsibilities, duties and problems.

Jeffrey D. Henry, education director for the AAMGA, says that the new guide being undertaken by his organization and the PIA seeks to accomplish the following:

• Outline procedures for the development of a continuing relationship between wholesalers and retailers and provide an opportunity to increase agency income through the use of broader products, lines of business and insurers.

• Develop a recognition that both wholesalers and retailers best serve each other when they consider affiliates as partners in areas of customer service and agency profit.

• Create an awareness of the methods through which retailers can identify and use appropriate wholesalers and evaluate the insurers represented in the wholesale market.

• Provide guidance by which wholesalers can qualify retailers and improve wholesalers’ understanding of the retailers’ needs.

• Provide licensing and regulatory guidelines when working within the E&S industry.

“Having a good relationship between a wholesale broker and a retail agent is especially important in a hard market,” says Thalmann. “At the very beginning, there should be clear and precise communication on both sides as to what each party needs and expects from the relationship.

“At Jimcor,” Thalmann adds, “we look for partnerships with retail agents. From our side, we look for agents who provide us with a steady flow of business. The agents should be looking at us for our ability to address many company markets. Also, the retail agent should be looking at our ability to communicate on the phone and online in terms of new products that are being offered, what classes of business we specialize in, and how fast we deliver a quote.”