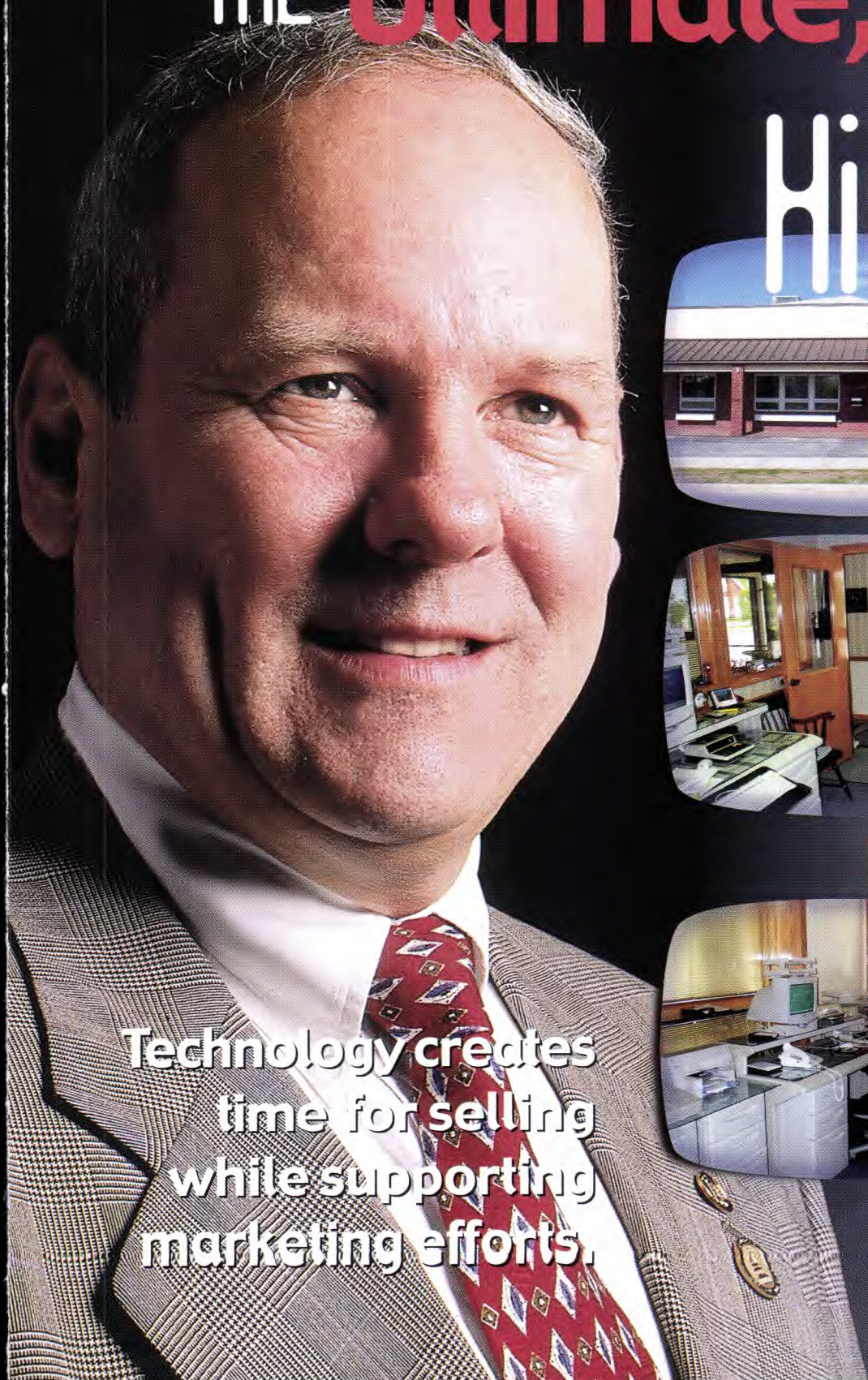


The Ultimate, Small,

High-Tech AGENCY



By Peter van Aartrijk Jr., CIC

Technology creates
time for selling
while supporting
marketing efforts.

THE CHALLENGE:

Providing customer service around the clock in a small agency.

THE SOLUTION:

Technology and the right attitude.

Clayton, a little tourist town in rural northern New York, is not the place you would expect to find the ultimate wired agency: But that's where you'll find Thousand Islands Agency.

The energetic and affable street-wise guy who runs this small firm knows tech-speak for sure. But he insists that when you break it all down, technology isn't complicated: It should allow instant service, it should be fun, and anyone can learn how to use it.

Edgar J. Higgins Jr., CPCU, is principal of Thousand Islands Agency, which was selected "Best of the Best" for five consecutive years in the under-\$500,000 revenue category of IIAA's Best Practices program. The firm recorded \$300,000 in revenue, including contingencies, last year.

Clayton is a small town in rural northern New York with a winter population of about 2,500, swelling to 15,000 in summer as tourists arrive in mobile homes or take seasonal weekend homes. The area is economically depressed, Higgins notes, with farming equal to tourism for revenues. The county unemployment

rate is nearly 10%. Yet Higgins competes with four other agencies in town. "It's crazy," he says. "I can't tell you how competitive it is."

Higgins figures he has an edge. Technology has liberated the agency staff, allowing it to systematically provide superior service and annual renewal risk management reviews. It makes personal lines profitable. And it improves morale because it minimizes the stress of multiple transactions.

Higgins says technology is successful in his agency when employees never have to leave their desk to get work done. For example, say the CSR needs to establish underwriting criteria and binding authority for a line of business, whether it be home, auto, umbrella, boat, commercial property or CGL. Portions of manuals and company contracts containing this information have been transferred to a custom Acrobat Reader tree, which is available through the computer network without leaving the chair. The same is true for endorsements.

Higgins recommends agencies spend at least five percent of long-term gross

revenue on e-commerce technology. "I don't think you can remain viable without committing to the 5% level—and depending upon size you may need to commit to higher percentages as we have in the past," he says. "The money invested makes more money if it is spent correctly with a long-term leverage strategy, and we clearly leveraged ourselves into a forward-pushing position."

In the last two years, Higgins has invested \$60,000, or 10% of revenues, on e-commerce technology. He sees this as a comparatively bigger bite for his small agency. Why? Because premium revenue—and thus, commissions—is disproportionate in his rural market, versus a big city. For example, while Thousand Islands Agency's average fully developed premium is \$1,500 (for a house, boat, two cars, umbrella coverage), in suburban New York City it's \$8,000, he says.

Higgins likes getting his hands dirty pulling network and phone cables through walls. But he also knows when to punt: to effectively use technology, you must hire a specialist who understands your business plan, he says. He uses a "very talented former military computer specialist who has spent significant time with me to understand our long-range strategic business plan as well as tactical plans and implements for us," he says. The consultant provides network support for hardware and software. He delivers and installs all tools, such as write able CD-ROMs, sound-cards, digital camera set-up and printers for the network. Even the Web site is outsourced—to Higgins' son. "If I tried to do all that myself I'd never sell any insurance," dad points out.

The bottom line, Higgins advises, is "to identify that individual or firm and then commit to him as a professional consultant and don't shop for price on individual items." However, "where to find such a person or firm is a real challenge. I consider myself just lucky, but word of mouth from other businesses is probably the best source."

No File Cabinets

You won't find any file cabinets anywhere near the client service areas at Thousand Islands Agency, Higgins points out. The agency has used transactional filing, or "T-filing," for all lines for the last 10 years. Paper is bulk-filed by date and by employee in color-coded folders all tossed into one larger folder at the end of each day. By segregating

Technology Pieces To Higgin's High Tech Puzzle

- Microsoft Windows NT small business server network, Ethernet cabled
- Allstate Insurance integration via separate proprietary network to each workstation (does not download but has separate emulation capability but must be cabled separately)
- Custom-built instant access using Acrobat Reader with an index to binding authority, processing and underwriting information
- Internet capability for all staff
- Unix operating system platform
- Palm-Pilot for e-mail, calendar, address book, planning notes
- Scanners for fax and paper
- Digital camera
- Color printers
- After-hours voice-mail board for 24-hour claims service
- Retrievable record storage system on CD-ROM
- Microsoft Back Office Small Business (NT) Server software
- Ebix.one agency management system
- Microsoft Office Suite (Excel, Access, Word, Power Point)
- QuickBooks for accounting in fee-for-service activity

Ed Higgins' **11** Ways To Embrace Technology and Change

1. Ask yourself, "Where does this particular technology fit in my business plan? If it doesn't fit, why should I spend money on it?"
2. Every technology application should result in one of the following:
 - a) Improved productivity or reduced expense;
 - b) Enhanced unique customer service;
 - c) Improved employee morale (yes, this one counts big time).
3. If you don't voluntarily change today and take control of your destiny, then someone else will take control of your destiny for you tomorrow. Change is always scary. Would you rather scare yourself or have someone else scare you? Think about it.
4. If you aren't using technology to make being in the agency business more fun, then you're doing it wrong! Professionalism and fun are not mutually exclusive terms.
5. If you don't hire, train and retain the best people, all the technology in the world will be a wasted investment because technology is only a tool to assist in the establishment and execution of an excellence model.
6. If you're not dreaming about what you think your world will look like (and how it will affect your business) five years from now, it's time to sell or retire.
7. If you can get everything you need to run and manage your business in your computer system, you no longer need to be imprisoned in your office. You (and your employees) can be anywhere you want to be. A modem brings your business wherever you are.
8. If you don't honestly believe that the worst day being self-employed is better than the best day working for someone else, then you shouldn't be self-employed; be somebody else's headache.
9. Every problem or challenge is a learning and growing opportunity. If you don't have problems you aren't moving forward and maximizing your potential. Hope for challenges and problems. They separate the winners from the losers.
10. Make every employee think like they are self-employed. You'll all have more fun, everyone will take more responsibility, have a higher career satisfaction level, and your business (and customers) will benefit from the results.
11. Never let yourself get important; it's dangerous!

employee work by colored folders (traceable in the computer record) any size agency has only to look at one employee's work for any given day to find the document that is the subject of retrieval. "If you've established the computer record as the standard, why bother looking at paper?" Higgins says. "Since we still have to receive paper, this is how we minimize its interference with the efficient workflow and get it quickly out of our way while still being able to find it when needed."

Everyone Answers Questions

Higgins also uses "modified rotational servicing." The normally assigned CSR is the primary contact for a client—to build a bonding relationship. The alternative is the next available service representative, who follows the computer record for that client. Thus, you eliminate phone tag, inefficient follow-up and "start over," he says. "This provides us the strength of always having at least two people who can do every agency

task. It's good risk management in a small agency of four people."

Service for a Fee

Higgins' premium revenues are growing five to six percent a year. But he had been worried about his vulnerability with commercial lines; two or three accounts generate \$100,000 in annual premium. Since the immediate geographic area necessarily limits traditional growth, he is looking outside the area. His technology investment allowed him to add a nice piece of business; about

one-third of the agency's revenues is fee income derived by serving as plan manager of a \$12 million self-insured plan covering 15 public secondary schools and a community college.

The main service performed in the arrangement is troubleshooting specific claims. "Because we know insurance and we talk with consumers all the time, we are an excellent translation tool, so to a person who is dumbfounded by a claim, we can explain it to them," he says.

The fee-for-service is a growth area for Thousand Islands Agency, he says. "People will always need insurance service and insurance knowledge, and this is an excellent example of how independent agents can recapture parts of the marketplace that they would typically conceive as gone—if they use technology. We couldn't have done it without the tech piece in place."

"We tweaked our automation system to handle the process with the same CSR staff working with the same terminal without leaving the chair and at the same time T-filing all the separate forms. That was the thing that made it so cool. If you couldn't incorporate that into your current workflow, it wouldn't be profitable."

Risk Management Approach

Every account change is confirmed to the client in writing the same day, Higgins says. That "costs us about \$2,500 a year but it gives the customer a warm and fuzzy feeling that we're on top of it. And it shuts down the E&O claims."

Thousand Islands Agency annually reassesses the exposures of every single policy and "recommends coverage additions and risk management alternatives as though we were our own competitors trying to take our business away because of the risk management issues we missed," Higgins says. "This may in some cases mean making the same recommendation for a personal umbrella policy that was not taken the year before but is still a valid risk management approach."

Thousand Islands Agency

Clayton, N.Y.

GROSS REVENUES: \$300,000

EMPLOYEES: 4

BUSINESS MIX: Personal property-casualty, 33%; commercial p-c, 33%; fee-for-service, 33%

CLIENT COUNT: Personal, 800; commercial, 60

RETENTION RATE: Commercial, 95%; personal, 92%

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"We always cross-sell. If you have homeowners policy, you get a letter from us saying, 'This is what we recommend you do.' An umbrella policy is a two-to-five-year sell. The first year, they ignore it, but by the fifth year they say, 'OK, I'll buy it.'"

Higgins says he averages 1.9 to 2.2 policies per client. While he has a partnership with a financial planner to "give that one-stop feel" to the customer, he currently doesn't share in the revenue and plans to change that.

24 Hours, 7 Days

"Agencies that can respond to the emerging desire of customers for one-stop shopping and 24/7 service with personal relationship advantage will be the winners," Higgins says. "The Internet can enhance the service model...and response time and reduce expense ratios for all. Our clients use access to our Web site for insurance information and love our 24-hour local claims service, [since it offers] a voice or person they know and will be able to see face-to-face in the follow-up process. Embracing technology and viewing constant change as a fun process will separate the winners from the losers."

New York Central Mutual is a favorite company partner for the agency, and it's no surprise why: "solid, knowledgeable staff, highly automated company with agent sensitivity and commitment of a smaller regional company, and they

download policies," Higgins says. "If they could, or would, shut off the paper completely we'd be happier."

Future Plans

Like many small agencies, the agency is a family affair. Higgins bought the agency from his father-in-law in 1979. His wife is a "paper partner" who teaches school but hasn't been active in the agency for 20 years. Son Brendan built and maintains the agency's Web site, but his real job is personal lines underwriting at Peerless Insurance Co. Ed has a perpetuation plan in mind: Brendan finishes his CPCU, joins the agency in 2002 and takes over primary ownership and management authority in 2007.

Higgins says his next big investment will be in people and training to expand the business. "Our next horizon is expanding health insurance benefits, section 125 administration and more fee-for-service contract pursuits. We will work to add cross training to our current employees and to anticipate the need to add new employees. Since we have had our best success with completely inexperienced people, that means a big investment in time and money to commit to the three-year training and learning curve for each new person."

Higgins' employees all are licensed brokers with both commercial and personal ACSR designations. One employee completed the AAI program this year. Another has completed seven

The Price of Success

Thousand Islands Agency has spent increasing amounts in recent years on technology, particularly as the Y2K threat approached:

1995	\$ 8,784
1996	15,309
1997	19,754
1998	32,271
1999	28,746
Total:	\$104,864

parts of CPCU program. The agency pays for education in full with a bonus for course completion.

Higgins says he'll align with a long-time agent friend who will retire in two years, which will double the agency's size. He also plans to buy a couple more agencies within three years.

Higgins also wants to spend 90 days a year consulting for other agencies, helping them develop "truly automated workflows," he says. He figures his hard work is worth something to others. "I think I have the skill to identify workflow bottlenecks and technology solutions." **IA**

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The 24/7 Conundrum

How does a small agency offer 24-hour-a-day service?

Ed Higgins sees 24-hour insurance company service centers as an option for other agents. He wants to be involved in every claim. Technology makes it possible:

- A customer has a claim over the weekend or at night. He or she calls the main number at Thousand Islands Agency. After hours the phone lines are switched over to an automated attendant, with the voice of a regular agency employee.
- The first option is, "If you're calling to report a claim, press one for 24-hour service."
- Choosing option one, the claimant is asked to leave a message and told that it automatically will be forwarded to a pager. The caller hangs up.
- About 30 seconds later the computer picks up the phone line and makes an outgoing call to a paging service. It sends the phone number the claimant left.
- The agency staff person receives the page and remote-retrieves the message. Depending on what the message says, the staff might call the client immediately or, using a laptop, tap into the agency management system to check coverage first. "We've been able to call them so fast, we get to them before police arrive," Higgins gloats. "What you [often] do for the person is not about a coverage issue. It's just assurance that everything will be OK. You tell people what to do—have the car towed, take the plates off it's going to the junkyard, replace your window, go to a hotel. It's really fluff, but it's valuable for the customer to have.

"Whatever happens with the Internet, I'm going to be there with my option, and if I'm better people will always come to me. I'm here to offer that warm and fuzzy alternative," he adds.

How many calls does Higgins handle in a month? Probably two to four, he says, mostly on weekends and holidays. "The bottom line is if I got to a month it wouldn't bother me, because I love this stuff. It's usually not some huge inconvenience; it's five minutes. If you're going to be self-employed you better pick something you like."