



Brokerage Challenge™

Case
Study
Guide

Decision Map

- Hire/fire producers
- Set producer time-blocks/ activities
- Increase agency servicing capabilities
- Improve agency billing competency
- Increase cross-selling competency

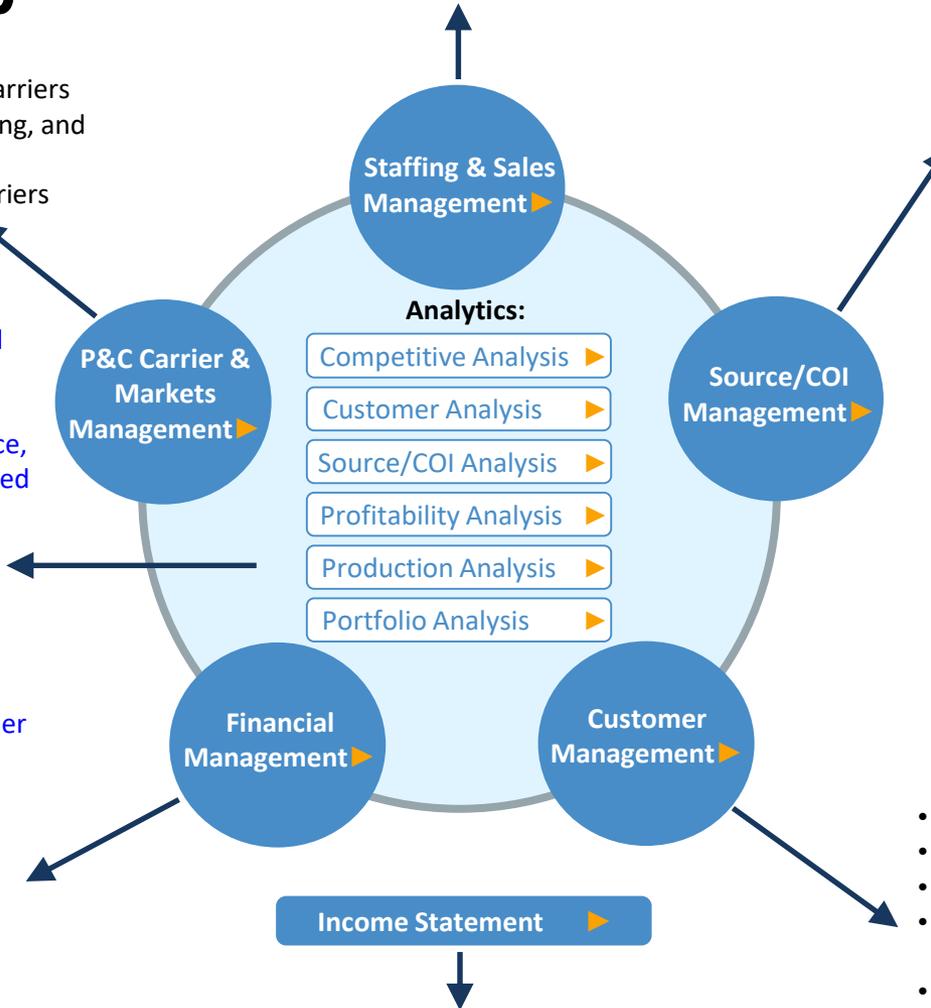
Legend

- **Items in Black Font** represent decisions that can be entered
- **Items in Blue Font** are information to be analyzed

- Review performance of appointed carriers
- Research carrier competencies, pricing, and financial strength
- Request appointments with new carriers

- Research customer expectations and competitors' performance by customer segment
- Analyze customer sensitivities to price, reputation, expertise, and value-added services
- Determine total customer demand and growth rates
- Evaluate customers, demand, and conversion efficiency by source
- Determine premiums, profitability, and customer satisfaction by customer
- Identify competition by source and evaluate prospecting efforts

- Analyze forecasted performance
- Set accounts receivable policy
- Issue or pay-off short term debt
- Distribute profits to owners
- Business-valuation calculators



- Improve source capabilities
- Set sourcing strategy by allocating Lead Generation effort between sources

Notes:

- Some decisions have more leverage than others.
- Decision-making is not necessarily sequential.
- Strategy should drive your decisions.
- Beware of sub optimization (e.g. tweaking one area and not paying attention to the whole).
- Forecasts are based upon previous competitive information.

- Improve customer segment skills
- Set service levels by segment
- Monitor loss ratios
- Establish new and renew commissions
- Business development & promotion
- Set minimum account size for commission

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Brokerage Challenge™ Case Study Guide

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Welcome to the Brokerage Challenge!

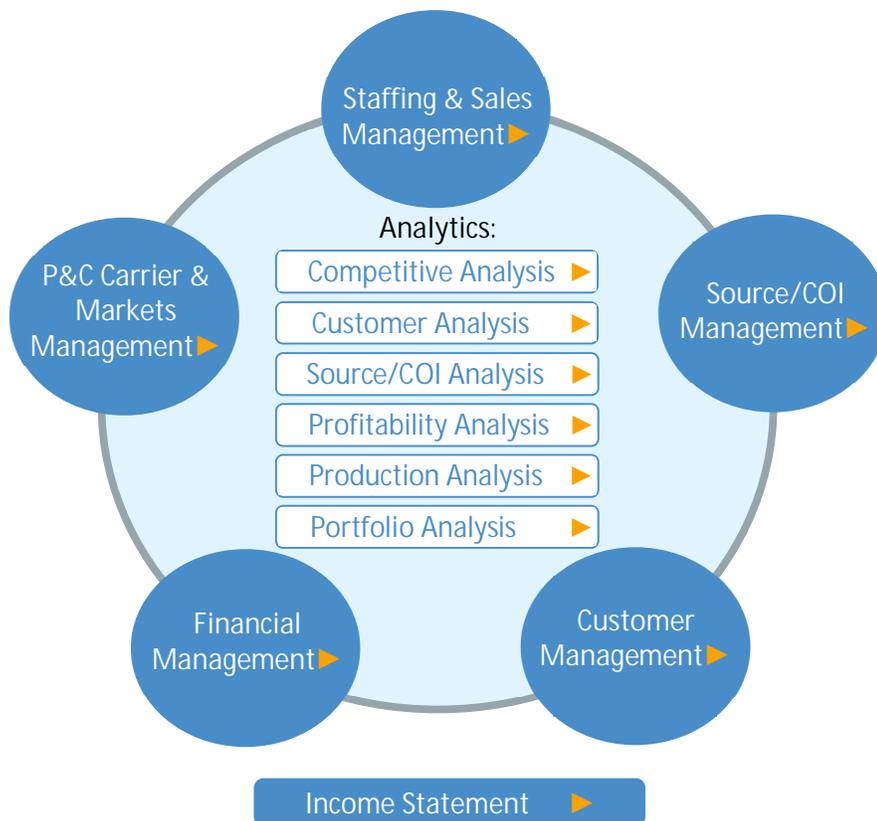
Ready to run an insurance agency/brokerage? Good. Because you have been placed on the leadership team of a computer-simulated insurance agency in competition with other teams. You and your team will have sole control and responsibility for all decision-making.

In this live, interactive “business laboratory”, you will run your company over several simulated 1-year rounds. Your mission is straightforward: improve agency performance. In doing so, you will make long-term (strategic) decisions and short-term (tactical) decisions.

At the end of each round of competition, you will receive feedback on your performance. The management team that runs the “best” insurance agency will win the competition!

Our goal in this class is to develop your business acumen including your strategic thinking, financial skills, leadership, and business decision-making.

Good luck!



Simulation Versions

There are two versions of Brokerage Challenge. Your prework instructions will specify which version will be used in your course. Any product or market descriptions in this manual are for demonstration purposes only, and may be different from those you will encounter in your actual course.

- ▶ Classic (P&C and employee benefits products)
- ▶ Benefits-only (no P&C products)

Objectives of This Simulation Course

Running an insurance brokerage is a complex undertaking. This simulation has been designed to realistically challenge you with this task to improve your business acumen and to:

- ▶ Better understand the “whole picture” of an agency.
- ▶ Think of an agency as an integrated system of processes that produce an overall business result.
- ▶ Build your financial skills, and understand how insurance agencies make profit.
- ▶ Develop your skills in strategic thinking, business planning, and market and competitor analysis.
- ▶ Recognize the “lifetime value” of customers and the importance of meeting their needs and wants.
- ▶ Understand that competitors and markets are constantly changing and evolving.
- ▶ Cultivate your leadership and teamwork skills.
- ▶ Share and discuss best practices with peers and/or business partners.

Learning Through Simulations

The data and information used to develop this simulation were taken from real-world insurance agencies. The strategic, financial, and operational relationships that you observe on the computer screens and in your reports were derived from that data and information.

While the simulation doesn't encompass all of the complexities and dynamics of your real-world business, it does reflect many important insurance industry dynamics that will help improve your business acumen. We limit the scope of the dynamics, and thus your decisions, to focus your thinking on concepts that are critical to your development as an effective business decision-maker.

Simulations can be very useful learning tools:

- ▶ The knowledge and judgment required to be successful in today's business world is best developed through experience. Simulations provide a practice ground where you can gain experience that might otherwise take years to gather. Rather than just talking about topics such as strategy and financial statements, you will apply and experience the subject matter in action. Studies have found that when people engage in this manner, information-retention jumps from 20% to nearly 80%.
- ▶ The consequences of risk taking are reduced, and you can practice decisions and gain on-the-job experience without the risks and implications of making those decisions in the real world.
- ▶ In addition to the opportunity to see business interrelationships you might not normally be exposed to, you will also immediately see the impact of your decisions.

- ▶ The broad range of business dynamics mirrored in a simulation will allow you to see the big picture. You will be better prepared to apply the lessons learned from the simulation, and to improve your performance, when you return to the real world and make real business decisions.

The Process and “Rounds”

We have divided the class into several competing teams. Each team will run an insurance agency for several competitive rounds. Each round will last between one and three hours, and represents 1-year of competition.

After you are done and perform a “Final Save” at the end of each round, the Instructor will collect and process decisions from all the competing teams. The competitive results of each round will be given to you in the form of financial statements and other reports for your analysis. Prior to beginning the next round, the Instructor and all teams will discuss the results. Teams will then make another set of decisions for the next round, and so on...

This competition is a “zero-sum game” in which customers purchase from the company that best meets their specific needs; and all other companies miss out on the sale!

Leading and Managing Your Business

You will take over a struggling insurance agency that has been run with no real direction or focus – and it shows in its lackluster performance! Your challenge is to lead and manage the business and to improve its performance.

At the start of the competition, you will:

- ▶ Conduct a SWOT Analysis (Strengths, Weaknesses, Opportunities, and Threats):
 - Assess your agency’s strengths, weaknesses, and past performance.
 - Analyze opportunities and threats in the external market.
- ▶ Define your Mission, Objectives, and Strategies, and Tactics (MOST).

As you run your company through each successive competitive round, you will:

- ▶ Analyze the results of the previous round, including financials, competitor data, etc.
- ▶ Revise and adjust your Mission and Strategies as needed.
- ▶ Execute your Mission and Strategies by making decisions in these areas:
 - Carrier & Markets Management – Review performance of appointed carriers, research carrier competencies, pricing, and financial strength, and request appointments with new carriers.
NOTE: In the Benefits version, all agencies represent the same carriers and there are no carrier-specific decisions.
 - Customer Management – Improve customer segment skills, develop and set service-levels by segment, monitor loss ratios, establish new and renew commissions, determine business development, and set minimum account size for commission. Build skills in agency service platforms, agency billing, and cross-selling.
 - Source Management – Improve source capabilities, and set sourcing strategy by allocating Lead Generation effort between sources.

- Staffing & Sales Management – Hire/fire producers, set producer time-blocks/ activities, and train in sales competencies.
- Financial Management – Analyze forecasted performance, set accounts receivable policy, issue or pay-off short term debt, distribute profits to owners, and run studies using business-valuation calculators.

Customer Segmentation

Business success in any industry requires that you have a deep understanding of your marketplace and that you identify who your customers are and what they need and want. In the competition, insurance customers differ in their sensitivities to price, reputation, expertise, and value-added services offered.

Identify your target segments early, and align your pricing, coverages, service levels, etc. with them.

Analysis has already been completed for you on all potential customer segments. Your challenge is to quickly determine which segments you will target. Recognize that it takes time to build awareness with any of the customer segments in the marketplace.

Carrier & Markets Management (“Classic” version only)

Two of the most critical decisions you make at a brokerage are choosing what markets to compete in and what carriers to work with in those markets. You can obtain research background on each carrier by customer segment regarding:

- ▶ Competencies and coverages (scale 1-10, with 10 being highest competency).
- ▶ Commissions/fees, on average, for specific lines of business.
- ▶ Product pricing level for the carrier’s products (scale Very Low – Very High) compared with other carriers in the market.
- ▶ Forecasted premiums generated from each customer segment.
- ▶ Contingent commissions based on growth and loss levels.
- ▶ Whether the carrier allows agency billing or directly bills commercial line premiums. Agency billing brings with it the benefit of potential “float” as your business holds premiums and earns a return in the period of time before passing along to the carrier.

Contingent commissions are identical for all carriers and vary between 0-5% depending upon growth.

NOTE: “BOP” customers are always direct billed by the carrier.

You begin the simulation placing customers with several carriers in the marketplace. You can increase the number of carrier markets by requesting additional carrier appointments. Be aware that appointments with carriers are competitive. Each carrier’s decision regarding appointments is dependent upon the competencies, profitability, and experience of your brokerage. Don’t assume that carriers are interested only in particular customer segments; they are looking for a balanced book of business.

Carrier appointments are awarded based on the agency’s premiums, profits, loss ratios, and CSI.

Carrier appointments will be processed at the end of each year and that carrier, if appointed, will be available in the following year.

NOTE: if you appoint too many carriers, you may lose some growth contingents with established carriers as your new carriers grow in doing business with you.

Customer Management

There are a number of different customer segments purchasing coverage in the marketplace. Based upon the strategic direction of your company, you will choose the customer types on which to focus your marketing efforts. In addition, you will structure and build your internal operations to fulfill the needs and wants of your chosen customer segments.

NOTE: (Benefits version) Because all agencies represent the same carriers, customers' purchase decisions are based primarily on the agencies' attributes rather than on carriers' attributes. Thus, your agency's competencies, service platform skills, etc. are the key differentiators in the marketplace.

The customer segments fall into these broad categories:

Classic Version	Benefits Version
Commercial Lines	Small Companies
Personal Lines	Mid-Size Companies
Benefits Lines	Large Companies

Once you identify the key customer segments you wish to pursue, you will make a series of decisions regarding your Training efforts, Service levels, Producer Commissions, and the primary focus of your business development/awareness efforts.

- ▶ Training: you can focus effort and resources into training your Producers, Account Executives, and Account Managers to better serve specific customer segments. You will be able to see an estimate of your end-of-year competency with each customer segment (scale 1-10 where 10 represents the highest competency).
- ▶ Loss Ratio by Customer ("Classic" version only): is provided to show you differences in loss levels between the segments. These levels play a role in driving your loss contingents. Your company can help lower carrier losses in several ways: hire and train Producers with better segment competencies; have Producers spend more time communicating and coordinating with carriers so that they can better place risk; and/or offer higher levels of value-added services (which reduce risk).
- ▶ Producer Commissions: you set the level of new commissions and renew commissions paid by your business to your Producers. These commissions will drive the number of new policies and renewals that your Producers generate. Pay attention to the commissions that your competitors pay to their Producers – differences in commissions can make a big difference in driving volumes (and in the turnover of your Producers).
- ▶ Business Development/Advertising & Awareness Targeting: as you increase the emphasis on a given customer segment, you allocate more awareness dollars/activity and overall business development effort to that segment. This emphasis will drive your Awareness level within that

Commissions for BOP customers are pre-set and cannot be modified.

segment; customers can't buy from you if they don't know about you. In addition, the amount of time you allocate to Lead Generation on the Staffing and Sales Management screen will impact your company's Awareness level.

Staff and Training

Non-Producer staffing will be managed automatically for you, and is driven by your sales volumes, Producer staffing levels, Service competencies, and the service levels you provide to customers (i.e., providing higher service levels requires more Service Staff). In addition, different products require differing levels of servicing and hence more or fewer staff (for example, Primary products require the most servicing in the Benefits version). Thus, product mix impacts staffing levels required.

Non-Producer staffing is structured as show below in the two simulation versions:

Classic Version Staffing	Benefits Version Staffing
Support Staff – back-office support, billing, etc.	Account Executives – strategic account leadership and consultation, plan analysis, service platform delivery, and carrier negotiations.
Personal Lines Service Staff - account servicing, administration, renewals, etc.	Account Managers – day-to-day account management, coordinating enrollment meetings and materials, billing and claims support, communicating with carriers, and coordinating with customers' HR departments.
Commercial/Employee Benefits Lines Account Management (AEs and AMs) and CSRs.	CSRs – documenting coverage detail, maintaining client data, and supporting Account Managers in day-to-day management, renewal support, back-office support, etc.

Promotion and Training

You can invest in business development/awareness, set minimum commission levels (Classic version only), and monitor Commercial Lines/Benefits Producer attrition:

- ▶ Agency Business Development/Awareness This Year: the amount of budget that you spend on marketing efforts (media, print, social media, SEO, etc.) impacts the awareness that you generate in the marketplace. However, be aware of diminishing returns and the tradeoff between the cost of the business development that you do and the awareness that you generate.
- ▶ Minimum Commercial Line Account Size for Commission ("Classic" version only): you may choose to only pay a commission to your Producers on commercial policies that generate a minimum level of revenue. Revenue is measured by the commission/fee that is paid to your company.
NOTE: "BOP" customers are serviced by an account management team; Minimum Account Size will not affect BOP customers.
- ▶ Producer Attrition: anticipated Commercial Lines/Benefits Producer turnover is shown as percent-attrition. This number is a measure of "Employer of Choice".

Competency Investments

You can invest to build your agency’s skills in several areas by clicking the “Set Brokerage Competency Investments” button.

- ▶ Benefits Service Platform: the level of expertise and service you can offer in Wellness, Technology, Analytics, Communication, and Compliance to your benefits customers. The Employee Benefits service platform you can offer is comprehensive and includes the following:

Service	Description
Wellness	Working with customers to provide a healthier work environment and wellness programs (fitness, weight-loss, smoking-cessation, etc.) as a benefit for their employees. These programs can reduce your customers’ insurance costs and improve their employee’s morale.
Technology	Providing the technology resources for customers to administer employee benefits programs, onboarding, and hiring/firing.
Analytics	Analyzing customers’ employee benefits data to provide insights and opportunities regarding usage, claims-levels, program effectiveness, etc. This service benefits your customers by improving claims, reducing insurance costs, and increasing renewals, particularly for “experience-rated” customers (150+ employees).
Communication	Helping customers to communicate with their employees regarding employee benefits (open enrollment messages, account advice, information sessions and materials). This service can help drive enrollments.
Compliance	Assisting customers’ HR departments and employees to understand and comply with government programs such as HIPAA (Health Insurance Portability & Accountability Act), ACA (Affordable Care Act), ERISA (Employee Retirement Income Security Act), etc.

- ▶ P&C Service Platform: the level of expertise and service you can offer to your Personal and Commercial P&C customers.
- ▶ Product Competencies (Benefits version only): training Account Executives, Managers and CSRs in specific products.
- ▶ Agency Billing Competency: improvements will help your staff better manage billing and collecting premiums/fees from customers and can improve “float” (“Classic” version only – see Financial Management for more on float).

Once you adjust your competencies, remember to also set your service levels by customer segment by clicking the “Set Customer Service Levels” button.

NOTE: Agency Billing in the Employee Benefits version refers to collecting fees from customers, not premiums.

- ▶ Cross-Sell Competency: additional revenue can be generated by improved skills in cross-selling more than one line of products to your customers (e.g., non-insurance products, property and casualty insurance (Benefits version)).
- ▶ Value Validation Competency: time spent communicating with customers to explain the value your agency is providing to them. It is active as a competency investment but not as an activity of your staff.

Source Management

Sources can be thought of as “Centers of Influence” (COIs) and represent sources for your company’s leads such as attorneys, real estate agents, financial advisors, direct mail, associations, etc. Information is provided regarding your overall competency in working with each Source, the percentage of prospects in each Source you are “covering” (i.e., contacting), and your efficiency in converting leads from each Source into actual policies written and closed.

You can make two types of decisions on the Source Management screen:

- ▶ Training and Development: focusing efforts to increase your Source competencies and hence your success at that Source.
- ▶ Lead Generation Allocation: allocating the percent of Producer’s time spent working with each Source. You set the overall amount of Lead Generation time (in days) on the Staffing and Time Management screen, and allocate where that time is spent on the Source Management screen.

Prospecting is “cumulative”. That is, prospecting in Year 1 will provide more prospects in Year 1 and also in Year 2.

Staffing & Sales Management

Staffing and Sales Management ties the organization’s workforce directly to its business strategy and objectives. Your company is made up of your people, and their commitment and skills ultimately determine the success or failure of your company. A critical responsibility in leading and managing a business is recruiting and retaining the right people in alignment with your overall company strategy. In addition, you must assign your staff to specific activities and you must train them so that gaps in competencies are filled.

You can manage several elements of your workforce on the Staffing and Sales Management screen including:

Producer Activities

You will need to assign your Producers a specific number of days per month in which they engage in specific activities such as:

- ▶ New Business Lead Generation: time spent contacting prospective customers. As you allocate more time in Lead Generation, your Producers can spend more time generating prospects through the various lead sources. If you change the Lead Generation days per month, or if you change the number of Producers, be sure to re-examine your sourcing decisions as the amount of time you’ve dedicated to Lead Generation at the sources will have changed.

- ▶ New Business Lead Conversion: time spent working with leads to fully understand their needs and to explain how your solution is superior to other offers.
- ▶ Servicing Existing Accounts: time spent answering calls and checking-in with existing clients. More time is required to provide higher levels of customer service.
- ▶ Renewing Business: time specifically allocated to retaining existing customers.
NOTE: If renewals are low, and each Producer is spending significant time in the “Renewing Business” time-block, consider looking elsewhere for a solution. For example: perhaps your company doesn’t have enough Producers on staff for all the customers that are renewing; perhaps you are not paying adequate renewal commissions; perhaps your Minimum Account Size is not optimized; or maybe your current service levels are below market expectations and customers are unhappy.
- ▶ Coordinating With Carriers: time spent improving your understanding of your carrier’s products and services. This allows you to better match a potential customer with the right carrier and improves your written-to-submitted ratio as well as your renewal rates.
- ▶ Value Validation (Benefits version only): communicating with customers to explain the value your agency is providing to them, and describing what your fees are producing for the customer. Higher competency and more time spent in Value Validation allows you to collect more of the fees customers owe to you and to justify charging higher fees for the services you provide.
- ▶ Administration and Professional Development: Admin & Development represents unassigned time spent on administrative tasks and competency development. Some amount of time spent on these activities will be value-added for the business, up to a point. This doesn’t mean that Producers will only work a 40 hour week however; work them as hard as you can! Just make sure that you’re paying them well and investing in their skills. Ultimately they will show unhappiness with their work situation through high turnover/attrition.

At a minimum, 5% of your Producers’ time will automatically be allocated to Admin & Development.

Training and Competency Investment

You will be able to focus efforts in building competency levels and skills in specific selling activities. Keep in mind that the amount of effort you spend on competency building comes at a cost, which you can analyze on the Training and Development line item on your Income Statement, and Producers must spend that time in training as opposed to selling. There can be many benefits to training your staff including higher effectiveness working with customers, higher retention, higher hit ratios (appointments to written policies), and lowered attrition levels.

The cost of training will vary depending upon the skill-levels of the people attending training. Improving skills from a 1 to a 2, for example, will cost less and require less time than improving skills from an 8 to a 9. The total training cost that will be incurred in the period will be displayed in the Staff & Training section at the bottom of the screen.

Hiring and Attrition/Employer of Choice

As you consider increasing your staff, you must decide whether you hire inexperienced versus experienced Producers. Experienced producers will be looking for a signing bonus. Both inexperienced and experienced Producers require “validation” before they become fully commission-based. In Year 1, all Producers earn \$110,000 in salary, plus commissions. In Year 2, salary drops to \$55,000, plus commissions; and in Year 3 and beyond, Producers earn only commissions. The current-year validating-salaries are shown on your agency’s Income Statement.

Your hiring decisions include:

- ▶ New Hires: inexperienced Producers are widely available; however they must be trained before they are fully productive. It takes about 3 months to select and bring in a New Hire.
- ▶ Experienced Hires: availability of these candidates is limited, competitive, and more expensive; but can provide valuable capabilities more quickly than building them internally (Producer activity-competencies, skills, segment skills, sourcing skills, etc.). However, product and service platform skills are agency attributes, not Producer attributes, because they are part of the overall infrastructure of the agency. If you decide to hire experienced Producers, be sure to look at the Experienced Candidates Report to analyze candidates relative skills (see the Analysis and Research Reports section below). It takes about 6 months to select, negotiate and bring in an Experienced Hire.

NOTE: If you want to hire an experienced candidate, contact your course facilitator. In addition, be aware that experienced candidates do NOT come with a book of business.

- ▶ Terminations: In managing the size of your workforce, you may also make the decision to terminate Producers. Producer terminations are immediate and will occur at the beginning of the current year.

- ▶ Managing Attrition and Employer of Choice: anticipated turnover is shown in both number of FTEs and in percent-attrition. Turnover will impact the productivity of your FTEs. Be aware that in an active marketplace such as will occur in your competition, there is a “baseline” level of attrition that you will not be able to get below, regardless of your efforts. However, your turnover will be impacted by Producer overtime, the training your company offers, and the commissions you pay. Turnover will occur at the end of the decision period (i.e., Producers will not walk out on you in the middle of the year).

“FTE” stands for Full Time Equivalent.
“EOY” stands for End Of Year.

NOTE: In the Classic version, Commercial/Benefits Producers may become frustrated if you set a Minimum Account Size for commission that is too high.

Financial Management

Finance and Accounting are often referred to as the “language of business”. As a leader and as a manager, it is very important to be comfortable with this language. Financial results provide key information to stakeholders both inside and outside your company regarding the performance of the company. Your financial strategy and how you manage your capital requirements will impact your business success.

On the Financial Management screen you can analyze financial performance, and different metrics will be displayed depending upon the version you are running.

You can also make several important financial decisions:

- ▶ Short-Term Debt: if you need cash, short-term debt is available to you (long-term debt will be automatically managed for you). The interest rate you pay on debt will vary and is determined by your credit report (specifically your Current Ratio and Trust Ratio). You can also pay off short-term debt when you are ready.
- ▶ Accounts Receivable – Insurance Premiums (Classic): you set the policy regarding how quickly you ask your customers to pay their Premiums (you eventually must pass those payments along to the carrier that wrote the policy). However, remember that customers may actually pay at a different interval depending upon your relationship with them and your Billing Competency. Be sure to also examine your company’s Actual Average Collection Period; as this period decreases,

you receive payment more quickly allowing you to maximize your company's "float" before you pass the payment along to the carrier that wrote the policy. Keep in mind that a very strict Account Receivables policy may negatively impact your Customer Satisfaction Index/Experience score (CSI).

- ▶ Distributions/Dividends: you can choose to distribute some or all of the excess profits that you've retained in the business as cash out to the owners of the company.
- ▶ Business Valuation Calculators: these calculators allow you to enter "multipliers" to see potential valuation estimates of your agency. The data is informational only and does not affect your business performance.

NOTE: (Benefits version only) Because your agency's revenues are derived from carrier commissions and customer fees, you will need to pay attention to your cash-flows. You will collect commissions from your carriers in approximately 90 days, while you will collect fees from your customers in about 30 days. These collection periods can be shorter or longer depending upon your Agency Billing competency. Thus, growth in commission-based business will need to be managed carefully.

Analysis and Research Reports

Several analysis and research reports are available to you as background in making your decisions:

- ▶ Customer Analysis
- ▶ Customer Profitability
- ▶ Competitive Analysis
- ▶ Source/COI Analysis
- ▶ Production Analysis
- ▶ Experienced Candidates Report
- ▶ Agency Performance (Financial Proformas)

Customer Analysis

The Customer Analysis screen will help you to better understand the relative needs and wants of each customer segment:

- ▶ Sensitivities in price, segment experience/expertise, and value-added services are shown for each customer segment on a scale of Very Low – Very High. In addition, the segment's projected growth rate is provided, as well as cross-sell opportunity to sell additional product such as property and casualty insurance producing higher cross-sell revenue (Benefits version only).
- ▶ A Position Map can also be accessed plotting each customer segment by price sensitivity and desired value-added and showing demand in units or estimated commissions/fees.
- ▶ (Benefits version only) Employee Turnover in each of the segments is shown, and will greatly impact the staffing requirements at your agency. Segments that have higher employee turnover put a greater burden on your agency staff and will require higher staffing levels.
- ▶ (Benefits version only) Each segment's sensitivity to your agency's expertise in their specific industry and their company-size is shown. Larger customers can be very concerned about your ability to provide services if you don't have prior experience with companies of a similar size. In

Total Available Market (TAM) includes organic growth plus customers who are not retained by agencies in the prior year.

addition, the customer segments have varying sensitivities to your agency's product-level expertise.

- ▶ (Benefits version only) Average Commissions/Fees for each product type are shown by segment. Revenues to your Employee Benefits agency flow from commissions from carriers and fees from customers.

Benefits products have been grouped into 3 categories:

Product	Description
Primary	Employer-paid medical, health, wellness, etc. Require high servicing levels by your agency.
Ancillary	Additional employer-paid products such as dental, vision, group life, group disability, retirement services, and specialty products such as business travel insurance, kidnapping insurance, etc. Require some servicing by your agency.
Voluntary	Paid directly by your customers' employees and include legal services, ID theft, personal auto, etc. Require very little servicing by your agency.

Customer Profitability

An analysis of the relative profitability of each customer segment will show you not only revenue volumes, but also each segment's profitability. Specific measures that can be analyzed include:

- ▶ Revenue levels (commissions/fees).
- ▶ Compensation expenses.
- ▶ Contribution Profit ("contributed") for each customer segment in total.
- ▶ Average profit per customer.
- ▶ Average revenues per customer.
- ▶ Total premium.
- ▶ Customer satisfaction/experience level as measured by Customer Satisfaction Index score (CSI). CSI is influenced by:
 - Value Added Services
 - Time Spent closing and converting
 - Conversion skills
 - Segment skills
 - The carriers you work with
 - Time spent coordinating with carrier
 - Producer attrition
 - Value validation
 - Renewal skills

CSI is weighted based on customer count.

Competitive Analysis

In business planning, knowing your own strengths and weaknesses provides only a portion of the answer. You also need to have an understanding of the strengths and weaknesses of your competitors so you can out-manuever them. For each company in the competition, you can view several key statistics by product line and by customer segment as of the end of the previous round of competition:

- ▶ Premiums (“Classic” version) or Commissions/Fees (Benefits version) generated.
- ▶ Percent of customers renewing.
- ▶ Service levels.
- ▶ Commissions paid on both new and renew business.

Source/COI Analysis

By Source, or “Center of Influence”, several volume and effectiveness metrics can be viewed:

- ▶ Expected Cost per Contact by Source.
- ▶ Number of New Customers Available and the Average Premium Per Customer (“Classic” version) or Commissions/Fees (Benefits version) which will help you estimate potential demand for your products.
- ▶ Appointments to Calls ratio and Policies Written to Appointments which measure the effectiveness of your conversion efforts.
- ▶ A bar chart showing the expected number of new customers available from each source.

Experienced Candidates Report

This report details relative competencies of Producers who have quit from other competing companies and who are now available to work at your company – if you choose to recruit them. The report provides background on each candidate’s:

- ▶ Source competencies.
- ▶ Segment competencies.
- ▶ Lead generation, conversion, renewal, and carrier-coordination competencies.

Segment competency is how well the candidate understands the needs of a specific segment. A higher competency reduces risk and allows the agency to generate more business with the segment.

Agency Performance (Proforma Financials)

At any point during the decision round, you can access your company’s Proforma financials showing forecasted performance. Remember, these are proformas based on last year’s competitive positioning; your company’s actual performance at the end of any round may be quite different than your Proforma depending upon market conditions and competitors’ strategic and tactical moves during the round. Remember also that “tweaking” the various levers and decisions within the software will not maximize your performance – strategic, well-aligned decision-making are what create successful outcomes!

- ▶ Proforma Income Statement (can be shown in either high or low detail).
NOTE: (“Classic” version) Fee Income represents income from consulting work that you’ve done for your customers. The levels of these fees are influenced by

Proformas are not the same as Actuals: a Proforma that forecasts a 50% growth rate does not mean it will actually happen...!

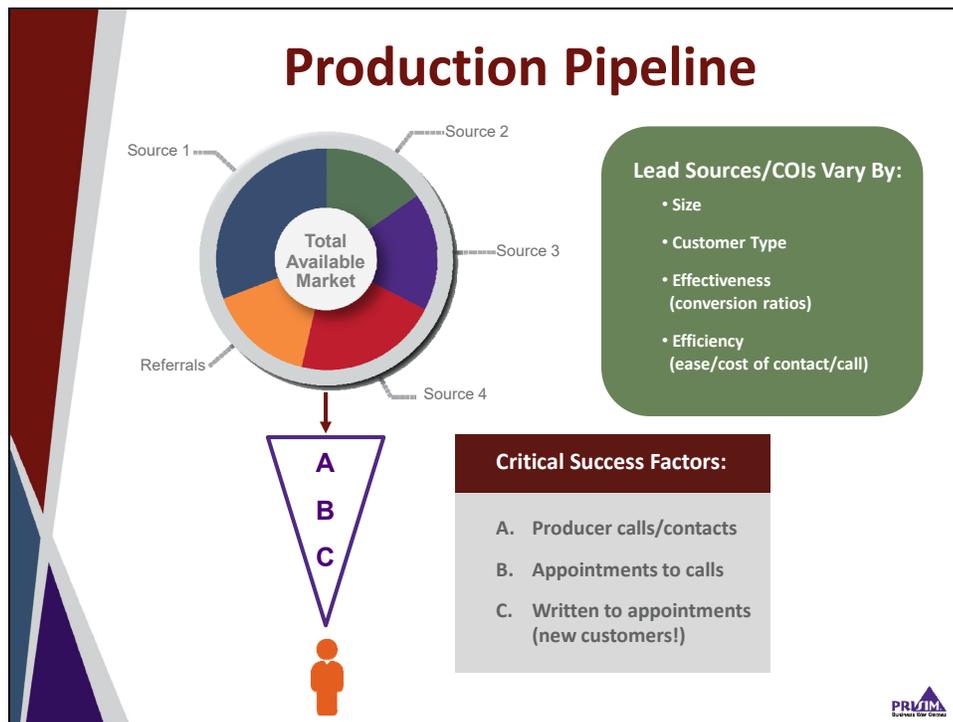
higher level of service that you offer to specific customer segments.

- ▶ Proforma Balance Sheet.
NOTE: (Benefits version) The “Accounts Receivable – Insurance” and “Accounts Payable – Insurance” items are not applicable since you are not collecting premiums for the carriers.
- ▶ Proforma Cash Flow Statement.

Production Analysis Report

By Source of new leads and by product line, you can see the Total Available Market (TAM) for each segment and the level of Producer appointments and hit ratios as of the last round of competition:

- ▶ Analyze where competition is fierce and where there might be an opportunity for more aggressive lead generation by your company.
NOTE: If estimated market demand for a particular Source appears in red font and is underlined, it means that supply was greater than demand (i.e., there was more business activity for the industry than was necessary for the number of customers in that Source).



Referring to the figure above:

(A) You can increase the number of producer-calls at a source by:

- ▶ Decreasing minimum account size for commission
- ▶ Higher new commissions
- ▶ Source skills
- ▶ Days of Lead Generation in total + allocation of those days at the source
- ▶ More producers

(B) You can increase the number of appointments by:

- ▶ Source skills
- ▶ Awareness of brokerage
- ▶ Brand/LTV of brokerage

- ▶ Lead generation skills
- ▶ Higher new commissions

(C) You can improve written business by:

- ▶ Time spent in Lead Conversion
- ▶ Customer segment skills
- ▶ Lead conversion skills
- ▶ Product skills
- ▶ Intensity of competition at source
- ▶ Time spent coordinating with carriers

- ▶ Brokerage awareness & brand
- ▶ Increasing carrier loss control
- ▶ Service levels offered
- ▶ Financial strength of carriers offered
- ▶ Carrier pricing/rates
- ▶ Carrier competencies and coverages offered