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Thriving During the Coronavirus

How Insurance Agencies Should Handle the Pandemic and Find Ways to Work Around New Economic Challenges

Contents

Introduction

The coronavirus pandemic has shaken businesses around the world. But while it may affect your insurance agency in the short run, there's no reason that it has to permanently hurt business. In fact, there are some ways in which it could be an opportunity, but you need to know where to look.

In this book, I will outline some of the strategies and tactics that you can take to keep your agency in the black as the pandemic and the related economic downturn drag on. If you follow this advice, keep a level head and plan for the future, your business won't just survive the pandemic, but thrive during it.

Weathering the Pandemic

It might seem counterintuitive to talk about your insurance agency thriving during a pandemic and a worldwide economic downturn. But as you'll see in this book, there are a lot of decisions you can make that will not just keep you in business but put you in a stronger position than ever.

Over the next six months and in the 12 to 18 months after that, you will face a series of choices on how to run your agency. Here's how to choose wisely.

What Have You Done So Far?

For better or worse, you have already made a number of significant decisions in response to the pandemic and the accompanying business shutdowns.

Treat these as early learning opportunities. You now have experiences to look at and use to measure results. What worked? What caused problems?

The Problem

Fortunately, this pandemic is not yet as lethal as the Plague or the influenza epidemic of 1918. The Plague killed around 30 percent of the world population. The 1918 flu pandemic killed between 5 percent and 10 percent of the world population. This **virus** looks to be on track to be much less lethal.

Looking Ahead

Over the next six months and in the 12 to 18 months after that, you will face a series of choices on how to run your agency. How will you choose wisely not just to stay in business, but to be in a stronger position than ever?

In those cases, we also did not understand what caused the disease or how the disease spread. These two events had enormous economic and historical impact because they were so widespread. The mass deaths affected both demand as well as the supply of available workers.

Today, thanks to science, we understand both the cause of the disease and how it spreads. This knowledge has made it possible for us as a whole to reduce the spread and control the death rate.

But exercising this control has direct economic effects. Thankfully, we now also have the economic theory and past examples to understand how to mitigate negative effects.

We have and are going to have to continue to take actions to stop both the disease and the economic damage.

You can do the same for your business. By taking planned and thoughtful action you can not only have your business survive, you can lead your business to thrive.

Define Your Goals in Writing

If you do not know where you are going, you will never know if you are on the right road, so the first step is to define your goals in writing.

You may not have the answer, but at least you have a plan.

You have to be able to measure your results against your goals. Only then can you see your progress and control your own destiny.

If you do not write it down, if you cannot speak it in words, you will not be able to apply your experience and smarts to solving the problem.

Surviving a Drop in Revenue

Here's the bad news: Your insurance agency is very likely going to see a drop-in revenue over the next two years.

You can change that going forward, but in the next six months you need to have a plan that acknowledges you will probably see lower revenues.

But there is good news, too. Insurance agencies are in much more stable positions than many businesses. People are required by law to have car insurance and workers compensation insurance. They are required by their lenders to have homeowner coverage and business property coverage. They are required by contracts to carry liability coverage.

That's the big picture. Now, let's look at some individual facets of the industry.

Workers comp is based on payroll. With over 40 million Americans applying for unemployment, payrolls are going to be down. That means workers comp premiums will be down.

Liability premiums are based on sales. Sales dropped over 17 percent in April. Even the May recovery was still down 6 percent from May of 2019.

Finally, some businesses are closing and more are going to close. Their insurance policies will be canceled or not renewed.

Most industry experts I talk to expect a 20 percent or more drop in written premiums in the U.S. Property and Casualty insurance market over the next two years. Since the drop during a four-year period of the Great Depression was 35 percent according to the best estimates, I honestly think a 20 percent drop is not realistic.

What Will the Drop in Premiums Be?

During the Great Recession these premiums went from growing around 4% annually to dropping at least 2 percent over two years. It then took another two years to recover to the pre-recession level of written premiums.

The May 2020 unemployment rate in the U.S. was 13.3 percent, in April it was 14.7 percent.

If an average unemployment rate in 2008 was 5.8 percent, and Property and Casualty premiums in the U.S. dropped 1.6 percent without adjustment for inflation, the simple math gives us maybe a 4 percent drop in premiums unadjusted for inflation.

Balance the Reduced Premiums Against Your Planned Growth

Premiums were growing between 2 percent and 3 percent nationally going into 2020.

Adding the projected growth and the projected reduction resulting from Covid gives us a rough number of 2 percent plus 4 percent — a combined difference of about 6 percent less than your planned budget may have been.

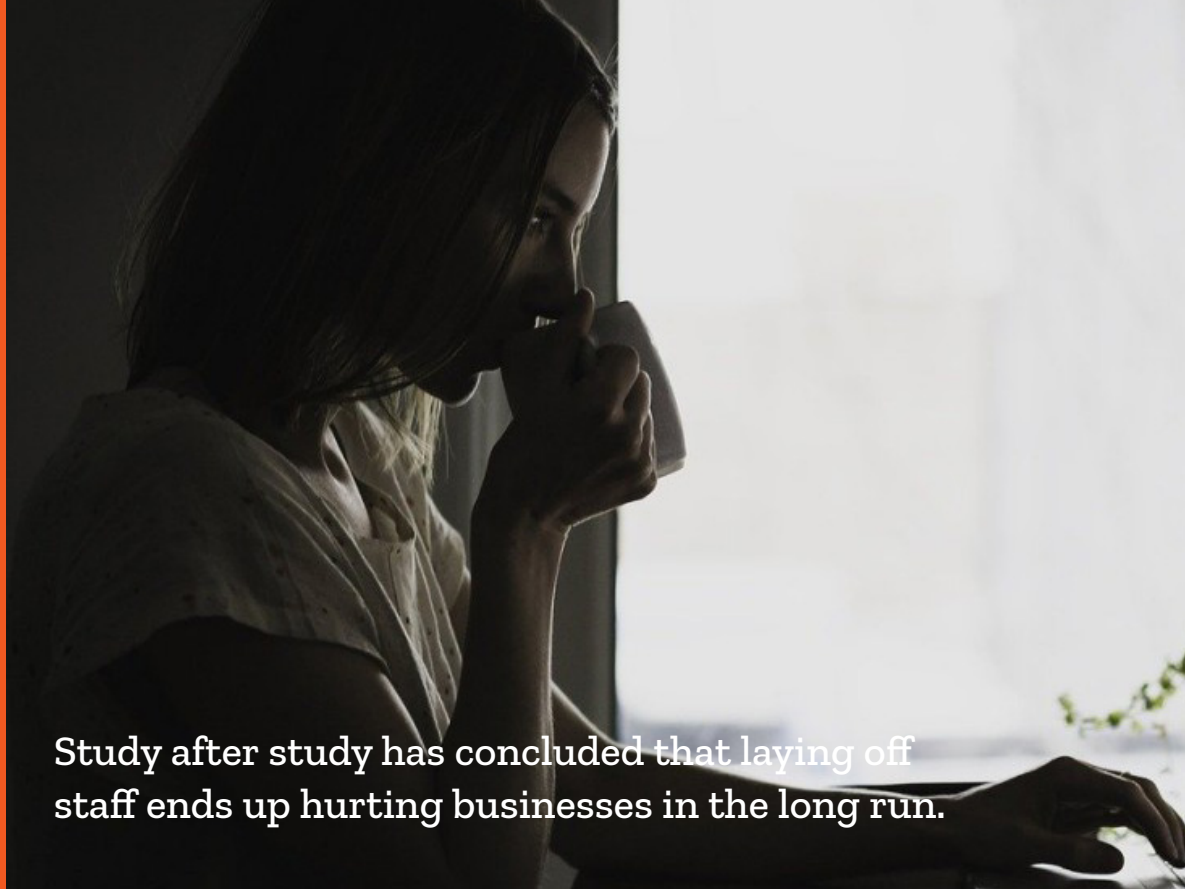
Plan for a Range

Since the actual drop is unknown, your best planning is to plan for two or three possible scenarios. I suggest you create plans for drops of 5 percent, 10 percent and 15 percent.

This range of outcomes will let you prioritize how you budget for the coming 18 months. What would you do differently in each scenario?

Looking Ahead

Your insurance agency is very likely going to see a drop in revenue over the next two years, but the good news is that insurance agencies are in much more stable positions than many other businesses.



Looking Ahead

Study after study has concluded that laying off staff ends up hurting businesses in the long run.

Thriving and Avoiding Layoffs

When the economy turns sour, many businesses begin laying off staff.

Their reasoning seems simple: Reducing payroll can compensate for the drop in income, pushing the company back to profitability.

But study after study has concluded that this ends up hurting businesses in the long run.

While layoffs cut costs quickly – and payroll is often one of the biggest – they end up doing major damage to the business down the road.

As one professor at the prestigious Wharton School noted, those businesses are going to need those workers back when the economy rebounds, only now they're going to have to hire new ones and pay both the time and money to train them.

Will You be Able to Keep Your Staff?

If layoffs are a bad idea, why do so many companies do them? One reason is that they are publicly traded, and Wall Street's demands tend to impose short-term thinking on business leaders.

But publicly traded companies also have more flexibility and financial options to get through an economic downturn than privately owned ones, especially small- to medium-sized insurance agencies.

This makes your decisions more difficult. Let me lay out a general ground rule I think most of my readers can accept: If you have to give up a million-dollar bonus to keep from laying off staff, give up your million-dollar bonus. If only this were the dilemma facing most insurance agency owners.

Some Honest Talk Between Owners

I am going to talk about this bluntly. I know it can be a taboo subject. Still...When times are tough, many small business owners cut their own salary first. That is OK and even admirable.

The back side of this is when times are flush, many small business owners are taking more money out of the business. For insurance agency owners, there is the additional value of the sale of the business to factor into your decisions. This is perfectly acceptable. In the coming couple of years, with the drop-in insurance premiums taking a long time to recover, these practices may be more difficult.

Helping Your Workers Helps You Too

Here is something all of us need to understand. If we lay our staff off, they have less money to buy things from our customers. Our customers then have less money to buy things from us. It is a self-reinforcing spiral. If each of us acts only for their own short-term gain, all of us will sink.

You really need to talk with your fellow business owners and insureds about this. I have been surprised at the reactions I have seen when local businesses I buy from have been extremely open about this in their public communications.

My response across the board is to do more business with these local businesses than I was doing before the pandemic. I want to support my neighbors as much as I possibly can.

You Can Also Share the Pain

An alternative to terminations is to ask your staff to share the reduction in salary across the board. Maybe this is not just a roll back of salary. Maybe this is also a reduction of hours worked.

How will your staff respond?

First, they must know you are personally doing as much or more than you are asking of them. Second, some will tell you pretty quickly that they work much harder than one or more of the other folks at the office. They will suggest that nobody will really be all that upset if you finally let their most annoying co-workers go and so do not have to cut any other salaries.

Do they have a point? Are there some jobs you currently have people doing which really are just busy work? You should hope that is not how your staff sees your contribution.

Layoffs Make Workers Nervous

But let's say that you were able to sort out which workers weren't doing the best job and only let them go. That can still hurt your company.

My observation has been when you must let people go, everybody at your office starts wondering if they are going to be next.

Some of them will start looking for other jobs right away. You really cannot blame them.

Your best employees will always be able to find other jobs faster than your less valuable staff. That makes sense. Do you really hope to hire so-so employees away from your competitors? Will layoffs lead to more staff leaving and your company losing your top staff?

When you let people go, the folks that stay are being asked to do more work than they were doing before. This is rarely appreciated as much as you might hope.

Playing Defense

The economic downturn may hurt your business in the short term, but how you respond can help it grow in the long run.

In previous chapters, I've shown how your decisions to keep staff instead of laying off and focus on your business can help you survive the current recession.

Now it's time to talk about your customers. While you're focused on your own business, your competitors are going to be looking for ways to poach some of your customers. It's time to think about playing defense to keep them from leaving.

Growing Your Business

To recap the previous chapters: Your customer's premiums are going to go down as the economy struggles. To keep your commissions from decreasing, you need to have more customers.

So, how do you do it?

First, think about your own behavior. How are you going to respond?

If you are like most people, you are going to:

1. Decide which things you really need and limit purchases to those things
2. Find out if you can get those things at a better price
3. Find out if you can buy those things online and have them delivered
4. If you cannot buy these things online, find out if you can you order them in advance

Protect Your Existing Customers

It is more profitable to keep existing customers than it is to acquire new ones. But in a recession, that may take a little more work. Most insurance renewals just happen. You – the existing agent – do not contact your renewing customer. The customer gets a bill and they pay it. Some of them shop around, but historically about 90 percent do not.

This year and next year many more of your existing customers are going to shop around more as they look to cut costs. Think about how your existing customers could be enticed to move their insurance. Is it lower premiums? Bundled policies? Added services? Write all these ideas down. Highlight the things in that list which are things you do not or cannot currently do.

For each item you highlight, write out the reasons you currently do not or cannot do these things. These are the problems you need to solve.

Even if you keep saying to yourself "I cannot possibility do this," write out a plan. It will surprise you how identifying your roadblocks can lead to solutions. This list is the single most important tool you will have in the coming 18 months.

What Would Put You Out of Business?

Take another look at the list you created above. You need to create a priority action list. Most people start with the low-hanging fruit. You need to start with the actions with the largest impact.

You need to aggressively implement actions to defend your existing book of business before you take actions to go after new business. The good news is the list you just created is probably the list of actions you can use to go on the offense to acquire new business.

Looking Ahead

While you're focused on your own business, your competitors are going to be looking for ways to poach some of your customers. It's time to think about playing defense to keep them from leaving.

Going on Offense

The coronavirus pandemic will hit your insurance business in the short- and medium-term. But it's also an opportunity for you to grow your business.

As I noted in previous chapters in this book, your customers are going to be taking a fresh look at their expenses, including the policies you provide. But that means that your competitors' customers will be doing the same — and that's an opportunity.

Here's a short guide to how to do that.

Go for the Low Hanging Fruit

If you've taken my earlier advice, you've already looked at your policies and practices and made some changes to provide better service and communication with your existing customers. Now, you can take those same actions to go after new customers.

For example, did you create an effective automated renewal review process? What would you have to change to make that a new business review process? Probably no changes, just figuring out how to get it in front of prospects.

Looking Ahead

The coronavirus pandemic will hit your insurance business in the short- and medium-term. But it's also an opportunity for you to grow your business.

Look at Existing Prospect Lists

Do you currently have a list of prospects? What about past customers? An advantage of past customers is you at least know the name and contact information for the decisionmakers.

Past customers should be reviewed for reasons you lost the business. Can you address these reasons? Have you already tried and failed to get them back?

You should create a written list of past customers with reasons you lost them. Analyze and prioritize which ones to approach.

What about prospects you have presented to in the past but not acquired. Make a list just like the past customer list above and prioritize actions on this list.

Do you have a list of prospects you have never done business with? How have you approached them in the past? What were the results? Review this list, analyze and prioritize.

Making Your New Prospect Lists

You could just make a list of everyone in your target market. Maybe that would be all the businesses in your town or county. Maybe that is a specific market like antique car collectors.

Decide if you represent carriers who offer a strong program for these prospects. There is no need to go after apartment complex owners if you do not have a carrier who will write coverage for them. Match your strengths with new lists.

Use Social Media Marketing

After you understand where you have carrier partners

which position you to be aggressive, design social media campaigns to target those prospects.

Social media campaigns must be maintained over time to be most effective. These are cumulative efforts.

The social media campaigns should direct those interested to your website where they can take specific actions to solve their problems. In some cases this may be buying your policy online. In others, this maybe completing a checklist to identify their needs.

Try a variety of things, measure results and adjust. This is an ongoing process.

Address Your Prospect's Pain

In the coming 12 to 18 months your prospects' pain is likely to be the cost of coverage as much as anything else. Address cost savings, but remember, price is generally fourth or fifth on the list of reasons people decide to buy coverage.

The biggest decider in buying decisions is perceived value. Never forget to emphasize value in as equal to or more important than price.

Look at How Your Customers Find Your Competitors

If you understand how your customers are finding who to reach out to when they decide shop their insurance renewal, you will have your first step in understanding how to position yourself to be found by your competitor's customers.

Ask people who come to you how they found you.

If you have a strong enough relationship with some of your existing customers ask them how they found you or how they would look if they were shopping.

Becoming Digitally Savvy

Before surgery, some of the most successful doctors work through a checklist to make sure that they have covered all their bases.

As you look to attract new clients during the pandemic, you can use this same tool to ensure that you're doing everything you can.

It can be helpful to look at the websites of some bigger insurance companies, including direct-writer firms like Allstate and GEICO to see how they do it.

But keep in mind that your business is different, and you may be able to offer features that they can't scale up. Don't limit yourself to what everyone else is doing. Be creative.

To make your checklist, ask yourself what are the things you should do to become a viable digital service for your insureds? What are the things you expect when you work with online businesses?

Make a written list of the features they offer online and the products or services they offer. Here's a rough checklist I made up after perusing some of the bigger direct-writer companies.

FEATURES	Direct Writer Website	Your Website	NOTES
NEW BUSINESS			
Online Quote	Yes		
CLAIMS			
File a Claim	Yes		
Track a Claim	Yes		
Glass Claim Only	Yes		
Request Roadside Service	Yes		
MANAGE YOUR ACCOUNT			
Pay Your Bill	Yes		
Enroll in Auto Pay	Yes		
e-Invoicing	Yes		
Get ID Card	Yes		
View your Policy documents	Yes		
Manage your contact information	Yes		
Electronic Delivery	Yes		
E-Signatures	Yes		
Add a Vehicle	Yes		

** NOTE: This is a composite of several carriers' websites. No one website contains all these Items. But all contain most.*

Now, Look at Your Own Website

Compare this list to what your website does. Comparing the table to what your website does, what are the features these carrier's websites offer that your website does not offer? Chances are that there's at least one or two upgrades that you could make to your site to attract more business or just keep the clients you have.

Think About Businesses Other Than Insurance

The first reaction I often hear from insurance agents is "I can't do those things because of my software." Well, I beg to differ.

My accountant provides all my documents in a secure electronic format. These documents are not automatically provided from an integration with their back-office system, but from their taking the time to share with me in a separate file sharing system. My lawyers do the same.

My position on agents waiting until they have their agency management system provide every solution they can imagine is to say I guess my accountant and attorney think I am more valuable.

That is harsh. But is it true?

It would certainly be easier to have your agency management system provide this automatically, but are you willing to lose customers while you wait?

Every Customer Is Not the Same

I am not saying you need to upload every document for every customer. You will have a significant number of customers who do not want or use online services. It depends on your customer.

I suggest you let each customer tell you what they want. If they tell you they would like online access to specific services, documents or capabilities you should seriously consider if they are worth the extra effort.

The best way to think about this is to understand the value to your relationship with your customer.

With most file sharing systems every time you add a document to the service the person you are sharing with gets a notice. Your customer is made aware you are doing something for them.

For self-service features such as requesting changes, getting a certificate of insurance or an ID card, each time your customer goes to your website to take these actions they are working with you and your agency. Staying front of mind is incredibly valuable.

Looking Ahead

As you look to attract new clients during the pandemic, you can use this same tool to ensure that you're doing everything you can.

Connecting with Customers

I have carefully watched how local businesses I deal with have changed or improved their marketing during the pandemic. My strong takeaway has been that businesses that have reached out in a personal way on a consistent basis – at least weekly, but sometimes more often – have been able to build more loyalty. I am going to give you to some concrete examples of this with three local businesses where I live in Durham and Chapel Hill, North Carolina.

Shifting to a New Business Model

The first is the most ambitious. This business has had to make a major shift from a three-location coffee shop to a curbside delivery and online retailer of custom-roasted coffees. The shop already did its own roasting, but it has moved to attempt to change its business model to a subscription basis. This is akin to you deciding to make your agency primarily an online sales organization.

The business is Little Waves. Part of their challenge in moving to an online retailer was a name change. They had been called Cocoa Cinnamon for years, but their move online triggered a copyright issue. Just the type of obstacle you need to pile on top of everything else.

Looking Ahead

Businesses that have reached out in a personal way on a consistent basis – at least weekly, but sometimes more often – have been able to build more loyalty.

They have used content formatted in multiple ways – emails, blog post, social media post – to tell their story and to keep in touch with customers. Here is their blog: www.littlewaves.coffee/blogs/news. They have also added online classes.

Read a few of their posts and notice how they tell wonderful stories that let you relate to their business. They bring you in and personalize your connection.

Now, I admit, your customers do not enjoy your insurance services every morning before they start their day the way Little Waves customers enjoy a cup of coffee. But that doesn't mean you can't provide a personal connection with your customers and prospects by telling similar stories – parables if you will – about how your insurance helped your customers in their everyday lives.

I am not suggesting you name names in telling these stories. Customer privacy is important in the insurance industry. I am suggesting you tell stories about examples which can relate to your customers experience which they may not connect with insurance or services you can offer.

Two quick examples – I am sure you will have more and better ideas:

ONE: Over the past several years as my family has aged, I have been given a variety of things by my relatives which they no longer had room for in their new, smaller homes. Some of this stuff makes me wonder "Why would Aunt Betty ever think I would want this?" and "Do I now have to keep it so I can pull it out of hiding each time Aunt Betty comes to visit?" On the other hand, some of it is family silver and china collections. Since I did not buy these things, it never occurred to me to insure them. A friend was visiting who keeps track of these types of values and suggested the silver and china were worth thousands of dollars.

Now, I really can't sell them off while Aunt Betty is alive, but maybe I would be smart to insure them.

TWO. My friend's daughter was overseas when the coronavirus pandemic hit. They were worried about her being able to get home. Her tickets for her return flight were being changed or canceled. They were not only facing uncertainty about whether she could get a flight at all, they were also facing a significant cost for finding a new flight. They were very pleased they had travel insurance that addressed this. Not all travel policies would have provided help. They had researched the different coverage options and were very lucky they had bought the most expansive policy.

Great Storytelling Works

Another really good example is Acme Foods. Their owner is a natural storyteller. He repurposes content for his blog in a weekly newsletter www.acmecarrboro.com/news/ that is something his readers have come to look forward to receiving. His short vignettes always bring up warm memories. Again, I admit your customers will not get the same pleasure from their car insurance policy as they may get from Acme's Sangria, but focus on the storytelling, not the product.

Using Targeted Lists

My final example is Chapel Hill Wine Company. These folks have been doing multiple daily emails for a long time – way before the pandemic. I am using them for two reasons:

1. They target different email lists with different emails. They do not send every email to everyone they have on their list. They look at what product you have bought in the past and send emails based on that. For insurance, you would base these decisions on what policies your customers have bought from you. You really need to have a different approach to business and personal accounts. You can find many other ways to differentiate your customers and offer useful, targeted information.
2. They always provide a wonderful description of the wine. Why is it different? What makes it special? I know you are not going to talk about the terroir of your insurance policies. You probably are not going to describe its brightness or finish either. But you can describe the qualities that make it different from your competitors' offerings.

Check out their email newsletter archive: www.chapelhillwinecompany.com/newsletters/.

What You Learned

You may come away from this having learned only that I enjoy coffee, food and wine. Well, guilty. I hope you come away from this with ideas of how to create stronger connections to your customers and prospects when you cannot take them out to lunch.

All the new habits and processes you form to deal with the changes being forced on you now are things which will hold long-term value for you and your business long after the pandemic has pasted. Take advantage of the change and opportunity and you will not only get through this well, you will thrive for years to come.

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Duke Williams is founder of Simply Easier Payments, a leading no-cost total payment solution partner for insurance and other industries accepting mobile or online payments.

Providing a one-stop credit card payment processing solution designed especially for insurance agencies, brokers and carriers, it offers a hassle-free experience without the high fees other providers charge, and it's 100 percent compliant in all 50 states in the U.S.

Since **2006**, Simply Easier Payments has provided secure, compliant and reliable payment solutions to thousands of businesses around the nation with reliability and affordability being the cornerstone principles for delivering real, working solutions to its customers.

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