Showing Brokers The MONEY

Discussions about broker technology have advanced to the point that they now include the roles of management and worker productivity — and not just technology — in increasing the profits of a brokerage

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Sure, brokerage employees are busy in today's soft market. But are principals making sure their employees are spending time on productive work — organic growth, marketing campaigns and client acquisition? Technology can help provide the tools to do these things right, but the real drive has to come from broker management.

Technology discussions about the modern brokerage often confuse the means with the end. People talk about the "paperless office" and single-entry, multiple-company interface (SEMCI) as goals, but these are really means to an end. The end is increased productivity and efficiency, which directly translate into higher profitability. That is the bottom line, and broker investments in technology should be carefully focused here.

Easier said than done, of course. Many different measurements of efficiency and productivity commonly involve finding the right combination of people, process and technology. Is it revenue per employee? Revenue per transaction? Number of policies per CSR? Workflow efficiency in terms of application processing and servicing? Client retention rate? Client acquisition rate? Expense/cost control? Rate of organic growth? The list goes on, and one could endlessly debate the true indicators of productivity.

But the reality of today's soft market is that premiums are declining, commissions are eroding and competition from direct sellers (and other brokers) is increasing. The stakes are raised when it comes to finding the right ways to achieve best practices in productivity. Brokers are increasingly looking at technology that will give them the tools to enhance efficiency, particularly when it comes to employee productivity and human resources. There is no time like the present to start finding answers.

REVENUE V. EXPENSE

For brokers, one rule of thumb for beginning the process of measurement is the percentage of commission dollar revenue that goes to expenses, including both human resources and operating and administration costs. Human resources, in terms of compensation and benefits for all staff (including principals), should be no higher than 55% of commission revenue. Similarly, administration and operating expenses should account for no more than 25% of commission dollars. That gives a brokerage an EBITDA (also before overrides or contingency profit commission) of 20 points. How many brokerages meet these targets? If they are not, where is the breakdown in productivity and efficiency?

Here, technology enters into the equation as an important tool — but not a replacement — for management and decision-making. It is rare when one 'silver bullet' causes a slowdown or bottleneck in productivity; rather, in most brokerages, a series of small things contribute to inefficiency. Frequently the issue is workflow or process management, not technology. It therefore makes sense to look at broker management systems as workflow solutions that can help streamline routine customer service and administrative tasks, stimulate organic growth through marketing campaigns and standardize operations and data entry/management.

PORTAL PRODUCTIVITY

The increased prevalence of insurance company Web portals is a good example. How far have brokers gone in measuring the impact of these portals on their internal operational efficiency? While portals have huge potential, if they are not properly integrated into a brokerage's workflow they can create time delays in familiarization, errors due to duplication of data entry and data management problems.

With the right technology, however, CSRs can streamline interaction with multiple portals, whether it involves new business, policy changes or requests. Given that endorsements, inquiring and claims, uploading, new business, renewals and totals and averages occur on a daily basis in any broker's office, it is crucial to measure how efficiently these tasks are performed and where opportunities exist for time or cost savings.

A solution like nexisys connects Keal's BMS sigXP to multiple company portals without the need for any modification. Information is inserted in the appropriate fields of an insurer's Web portal; each file is processed live with one single connection, one single entry and one single interface. This is one way brokers can use efficient SEMCI to measure costs with revenues and automate workflows to ensure fast, consistent information processing in the office. In fact, a Keal study shows that using nexisys on a typical $17-million personal lines book of business can save the equivalent in salary and overhead of 1.5 people, amounting to a reduction of almost $77,000 in transaction activity.

Organic growth is another good technological space to examine for brokers who are suffering from client turnover and increased competition in a soft market. The fact of the matter is that brokers are the ones who have lost clients over the past five to 10 years to direct sellers. They have the renewal expiry dates in their systems; if they want to regain those clients, they can mount effective, measurable marketing campaigns.

MARKETING MODULE

A technology system cannot create and run a sound marketing campaign for a broker. The design, focus and execution of client acquisition strategies must come from broker management. However, a solid BMS should offer marketing modules that make sales and marketing campaigns easier, more efficient and more likely to succeed. In particular, technology should provide brokers with a client database management system that can give them the data they need when they need it and a platform to measure results and ensure accountability for producers and sales staff.

On the topic of marketing, clearly independent brokers are competing with financial institutions, direct writers and Internet providers that for years have been taking advantage of certain "integrated" technology. This integration of technology between telephone and computer is commonly referred to as "telephony."

Until recently, the costs incurred by smaller businesses to introduce this kind of technology were prohibitive. But in February 2008, Keal announced a deal with Alcatel-Lucent to integrate voice-over-Internet-protocol (VoIP) technology with sigXP for Canadian brokers. Now the benefits previously and exclusively experienced by larger organizations are available to smaller brokerages at an affordable price, providing the smaller brokerages with another tool to make them more productive. This applies to serving clients internally, as well as to external marketing campaigns.

VOIP ADVANTAGE

Brokers can now use this integrated technology to improve client support by re-directing calls to an assistant if the CSR is busy, or to a designated individual in the case of a VIP client. In addition, brokers can analyze incoming/outgoing call volume and duration between employees, as well as listen to and coach staff during calls without clients knowing.

In terms of marketing and sales efforts, a brokerage can maximize telemarketing campaigns by scheduling outbound calls in sigXP and pushing leads to the sales team in real-time. Inbound or outbound telemarketing will become integrated with the marketing campaigns in sigXP to establish real-time, entirely measurable actions that can be monitored and help achieve the financial results required to grow organically.

These are ways in which technology is contributing in more meaningful ways to efficiency gains. Brokers in Canada are increasingly appraising technology not for the look and feel of a particular BMS product, nor for the bells and whistles of automation, but rather as a fundamental driver of productivity and profitability. Many are asking how these tools can help increase efficiency in measurable areas, such as revenue per transaction, policies written per CSR and success of client acquisition or marketing campaigns.

This is a different dialogue than what's transpired in the past; it is now largely about management and productivity. It is about looking at the brokerage from the outside in, knowing where to pinpoint workflow breakdowns and deciding how to get started on fixing them. It is about establishing goals, measuring results and improving profitability.

This is where the broker technology game will be played in the future. CU