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Hard Market Survival Guide for Independent Agents

By: Steve Tombarelli

You've heard the analogy of building the airplane while you are in mid-flight? The analogy is apt for today's independent agencies.

As agents head into the last quarter of 2023 and start planning for 2024, they can expect to continue navigating the headwinds of a seemingly unstoppable hard market while simultaneously working to retain and gain clients. While they will collect increased premiums from existing accounts, they will also face plenty of pushback from clients who choose to shop around for lower prices.

The best way to set up your agency for success is to position yourself as a trusted advisor to your clients' businesses. Here are three ways to do so effectively.

Education

Insureds already know the price of nearly everything — from gas to groceries — is rising, so they may not be surprised by a premium increase.

Still, successful agents should not wait until renewal time to discuss price

changes. Instead, they should offer context in multiple conversations with clients throughout the year.

One effective approach is to show long-time clients a snapshot of premium trends over the last five-to-10 years. That will help them understand the current upswing in premiums was preceded by a time of relatively stable pricing.

While this won't take away the sting of higher insurance costs, it can go a long way toward helping clients rationalize and understand the increases.

From there, agents should start a conversation about their clients' current coverages and any changes to their business. Explore, for example, whether their company increased sales, expanded its footprint or acquired new equipment. Then explain how those changes will affect their premiums.

No matter how well you educate your clients, you will still encounter those who are unhappy about premium increases and will want to shop based on price.

This situation gives you the opportunity to help clients understand the industry-wide capacity crunch and explain why staying with your agency — and its carrier partners — will likely create more favorable results in the event of a claim filing.

Also, reassure your clients that you will do everything you can to find the most affordable coverage for them regardless of market pressures.

Expansion

While education will help agents retain clients, expansion will help you grow your book of business. Right now, the best opportunity for independent agencies lies in small-commercial lines, which traditionally bring more stability than personal lines in a hard market environment.

Obtaining new small-commercial clients starts with a solid plan. First and foremost, make sure you know the appetite that exists for small-commercial lines among your current group of carrier partners. Once you match the right lines of business with the right carriers, you can then engage those carriers

in your plan, which will increase your chances for success.

Next, start to understand the different types of coverages for potential clients. For example, insurance policies for restaurants will look vastly different from those for contractors.

You can then take it a step further by learning more about the business owners themselves. Contractors, for example, are busiest from 7 a.m. to 3 p.m., so the best time to talk to them may be late afternoon or early evening.

That's slightly different from restaurant owners, whose natural downtime comes between the lunch and dinner shifts, often between 2 p.m. and 4 p.m.

Be sure to ask potential clients the best time to call. Then have a conversation that focuses on their business and *not* on insurance. For example, ask a restaurant owner about their percentage of take-out versus dine-in business or their total gross from liquor sales.

Then respond with knowledge you have learned from other restaurateurs. This will help you develop a relationship built on business expertise and position your agency as a differentiator.

Once you start building a base of small-commercial clients, start researching ways to deliver value-added services. Most businesses will need the basics of small-commercial coverage — business owner policies, workers compensation and commercial auto. But some companies don't realize they could also benefit from ancillary coverage such as a cyber policy — especially if they have a retail shop with a point-of-sale terminal. Employment practices liability insurance policies are another opportunity area.

You can further distinguish your agency by identifying endorsements that will benefit your particular small-

commercial clients the most.

Expand your personal knowledge of small-commercial lines by relying on industry and network partners. SIAA, for example, offers its members formalized training programs on commercial insurance for independent agents, along with insight into carrier appetites and a robust resource library.

Marketing

You can't attract new business clients without letting people know you are offering small-commercial lines coverage in the first place. That is where marketing comes into play, and today, you can combine traditional and newer marketing approaches to establish a powerful presence.

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Start with the basics: Raise your profile within the community you serve. This can include everything from sponsoring little league teams to participating in local festivals, volunteer events and fundraisers.

Doing so will help show area business owners that you share a vested interest in making your community a better place to live.

You can add a flash of creativity by partnering with popular establishments that are not your clients — at least not yet. Run a raffle and offer gift cards from popular local restaurants as some of the prizes, then promote those establishments on your social media channels. This will give them free publicity and build rapport.

When it comes to online marketing, having a functional and interactive web-

site is table stakes. It's also worthwhile to have an active social media presence. We recommend two channels for agencies. LinkedIn is an increasingly crowded space, but it's still the best platform for sharing informational and educational posts that can catch the eye of other business owners.

Instagram, meanwhile, is an ideal channel to build community relations — whether it is by posting pictures of a beautiful sunset from a local destination or a video from a popular event. Follow an 80/20 rule on Instagram — make 80% of your content community-focused and only 20% insurance focused.

Also, always check with your carrier partners and ask to leverage some of their marketing resources. For example, if you work in an area that is home to several ethnic communities, your carrier may be able to provide material in several languages that you can use to connect with potential clients from various cultures.

Closing Thoughts

In addition to education, expansion and marketing, independent agents should also double down on their most obvious — but sometimes forgotten — opportunity channel: referrals.

Ask your best clients if they know someone starting a small business in your community who might need insurance and whether it is okay for you to contact them. Referrals remain the lifeblood of many independent agencies, and that will be true no matter what market conditions emerge over the next 12 to 18 months. ■

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