



# Improved Agency Operations Drive Profitability

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## Issues

After several years of expansion into new states, this Super-Regional insurance company recognized that although agents in its new states were more productive than average, many agencies were not as profitable as planned. Agents believed that declining profits were a result of increased labor rates and an uncompetitive agency compensation plan. Belief that compensation was the primary source of the problem was perpetuated by the fact that compensation and agent financing plans for expansion states were different than the norm in other states.

## Approach

The initial focus in this study was to confirm and quantify the differences in agent productivity, cost structure, and profitability. To do this, we conducted field interviews and collected and analyzed performance data and agent financials. In addition to performing internal analyses, we benchmarked agent performance and cost structures against industry norms. We observed significant positive differences in productivity but found that agency cost structures, particularly staff headcount and real estate were significantly inflated and highly variable from operation to operation.

Next, with these insights in mind, we began to analyze differences in real estate and headcount to determine the causes of variances and inflated cost structures. We also analyzed how work got done by conducting an on-line workload and time survey of a majority of agencies. We learned that few agents understood the economics of agency expansion and that many had a tendency to add headcount and square footage too far ahead of demand. We also noted that few agents understood how to manage agency productivity.

Finally, we turned the data and analyses we had performed into an agency management playbook and conducted collaborative agency education sessions with our client's field management team.

## Results

Our initial findings about agency profitability reduced the pressure to radically overhaul the compensation plan and lead to a moderate adjustment in the design, saving the company 20% in compensation costs.

The agent playbook led to:

- Growth in understanding of agency economics and cost management practices
- Increased specialization and segmentation of sales and service roles
- 10-20% reduction in agency expenses through productivity improvements, headcount, and real estate reductions