



Cookson Walker Consulting

'Hard' Marketing

Shifting focus in changing times

By Bruce Rabik and Eric Walker

"The key to success for brokers right now is marketing -- it's not selling," according to Pierre Vezina, vice president of Montreal-based Vezina Dufault Inc. He was speaking as the host of a recent gathering of the Canadian Broker Network, which consists of large independent commercial brokers from across Canada. A good segment of the meeting focused on an exchange of ideas regarding marketing commercial accounts to insurers.

The consensus of the group is that the current hard market has resulted in a switch of priorities for commercial brokers. In the soft market, when the doors of insurers were wide open, success meant finding prospective clients and then offering them to a variety of insurers to get the best deal. Conversely, in the hard market, clients seek out brokers to place their accounts. Those who can place these account opportunities are more than likely to be the ones who have carefully cultivated relationships with their insurers.

It is no longer a matter of shopping the market to find the best terms from a particular insurer but rather working with one or two insurers to generate terms acceptable to all three parties -- the client, the broker and the insurer. This was always the best way to conduct business and some brokers are re-learning this skill in the current marketplace.

"Blocking the market," or sending a submission to every conceivable market so that a broker can head off competitors, has been a time-honoured tradition in the p&c industry. The waste of time and resources of this practice were obvious to everyone -- no more so than to underwriters, who continually had to dig through a mountain of submissions to quote on those that met their guidelines and then only write a fraction of them. However, when market share was a priority "blocking the market" was seemingly just the cost of doing business.

In an environment where the priority is improving underwriting results anything that makes it easier for an underwriter to say "no" works very much against a broker. And underwriters are going to say no every time they are aware that they represent one of eight different markets that has received the same submission.

How should brokers conduct their marketing in order to increase the probability of successfully placing an account in this marketplace? And just as importantly for overworked brokerage staff (and underwriters), how should they do it so as not to waste everyone's time? From the discussions at the meeting of commercial brokers in Montreal a picture begins to emerge.

Having producers market accounts directly to underwriters typically has some unfortunate consequences for brokers. The quality of submissions tends to vary considerably and producers can be overly aggressive in their efforts to convince underwriters to take on the account. Underwriters quickly tire of this and a brokerage will find that its submissions end up on the bottom of the proverbial pile on the underwriter's desk. It is simply no longer true that underwriters prefer to talk to producers and learn about a risk from someone closest to it.

The group agreed that creating a marketing department can help overcome the problems of having producers individually handling the placement of their accounts. With that kind of centralized approach, all submissions go through a marketing department to the underwriters. In this manner, the marketing department serves as a critical quality control, ensuring that submissions are complete.

Marketers are also less likely to exaggerate any aspect of the submission because they are more concerned about maintaining a long-term relationship with underwriters rather than the more short-term concern of the producer to place a particular account.

At Calgary-based Rogers Insurance, all submissions on large commercial accounts follow exactly the same format and marketing manager Rosemary Visscher is legendary with staff both for her insistence on complete and accurate submissions and her ability to place the difficult account. "They go hand in hand," Visscher reports. "If underwriters trust our submissions they are more likely to listen when we present the unusual risk."

To repeat the familiar cliché -- "it's a people business." And despite the industry's fixation on technological solutions, it still comes down to a marketer like Visscher talking to an underwriter who knows and respects the job done for the client. Without exception, members of the group agree that the ideal marketer is a former underwriter who understands the concerns of underwriters firsthand and who perhaps knows many of them personally. Visscher fits that profile, being a former underwriter with Zurich Canada.

The broker network debate also focused on whether it is practical or necessary to have renewals go through the marketing department or whether that department should focus on new business. Evidently a variety of practices have been developed to deal with this issue although most agreed that ideally the marketing department should handle all submissions whether new or renewal.

A few had implemented rules such that any renewal that had experienced less than a 20-per-cent increase in premiums was not to be marketed and simply renewed with the incumbent market. It's argued that this saves time for both the broker and the underwriters but also is in the clients' best interest as moving an account too often will eventually restrict the available markets when a change of operations or claims might make marketing the account more critical.

Handling both renewals and new business obviously affects the workload and therefore the number of people in the marketing department. Depending on the complexity and number of accounts, it was felt that one marketing person is necessary for every \$7 million to \$10 million in commercial volume.

It is clear that the lessons learned by these larger commercial brokers can be applied by smaller brokers. Centralizing marketing to one person, creating a consistent format for submissions and working with fewer markets are measures that every broker can follow. Other unique practices of the larger commercial brokers provide useful examples of the relationship-building side of marketing.

Dan Lawrie, a commercial broker in Hamilton, Ont. has his staff members vote monthly for the underwriter they have found most helpful, to whom they award a lunch certificate. At the end of each year, his brokerage declares one underwriter the recipient of a "Rose" or "Recognition of Service Excellence" award, presenting a dinner and a framed rose as a gift of appreciation. Lawrie believes that such overtures go a long way in creating the kind of relationships that will facilitate better communication with underwriters.

Rogers Insurance produces a quarterly newsletter that goes to underwriters but not to clients. Each issue provides a brief biography of one individual in the marketing department as well as news about employees and articles written by staff regarding the marketplace. Again, it's another attempt to maintain communication with underwriters in this "people business."

At least a couple of the brokerages in the group have formal mechanisms to develop business plans with their key markets – and they have been initiated not by the insurer but by the broker. Rather than the usual platitudes about "working together" or "qualifying submissions better," these plans included detailed objectives on new business by segment and quarterly to-do lists assigned to individuals at both the insurer and brokerage to create accountability.

Marketing of accounts has become much more important to brokers. Of the seven members of the Canadian Broker Network, all principals of the firms take a direct and active role in the marketing of accounts and Lawrie predicts that this involvement will only increase in the future.

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