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# The Lonely Broker Syndrome

## Smart brokers have always organized themselves into self-help groups.

By Bruce Rabik, John Garner and Eric Walker

Thanks to the "lonely broker syndrome," there's great interest in brokers coming together into groups to meet with their peers. Trivest, the first consolidator of brokerages -- and inventor of the term "lonely broker" -- found a strong demand for this kind of service and set up a series of regional and national meetings to facilitate discussion among brokerages.

The term "lonely broker" does not imply that brokerage principals are without friends but rather that on a professional basis they have a shortage of contacts to discuss issues that are important to the running of their firms.

How do you hire producers? To what level of profitability should a broker aspire? What should you pay your customer service representatives? What commission rate should you pay producers? These and many other questions constantly confront brokerage leaders seeking to improve their operations. The problem is, where can they find answers?

Many of the traditional sources are not entirely satisfactory. Published statistics from Canadian and U.S. sources on brokerage benchmarks often hide regional differences and the nuances that go behind the statistics. For example, we know that the average salary for a commercial CSR is higher in Edmonton than in Calgary but the reason is not apparent from the statistics. Also, these statistics tend to be averages while what brokers are really interested in is what is being done by the very best among brokers to achieve success in specific areas.

Insurers are often a source of information but typically, insurance company marketing representatives relating the efforts of one broker to another broker does not convey a full appreciation of the story -- how could they know? They are not brokers. Consultants vary hugely in their direct brokerage experience and often will throw around "benchmarks" such as "good brokerages should achieve a maximum of 60 per cent remuneration" without fully explaining the reasons behind benchmarks or why some brokerages are consistently below or above them.

So where does a brokerage turn? The ideal solution would be to have open discussions with like-minded brokerages. However, competitors are loath to share information, so a natural outcome is that brokers often seek out other brokers who are not competitors in terms of geographical location or product lines. At conferences, during company trips,

etc., you often see brokers huddled in corners asking each other questions such as "what kind of contingent arrangement do you have with such-and-such company?"

Some of these ad-hoc discussions turn up valuable information but a cocktail party is not always a good place for a serious exchange. Sometimes these discussions are followed up with a more rigorous exchange at a later date but more often they result in a very imperfect exchange of information.

So smart brokers have always organized themselves into self-help groups. These groups -- and there are many of them -- usually consist of seven to 10 brokerages that are not direct competitors. They may be national in their locations or provincial, but they do tend to be geographically dispersed. They come together and form a rudimentary constitution and then typically meet twice a year. The agenda for the meetings is comprised of questions that each of the members wishes to ask the others, and then often representatives from key insurers are invited to a dinner.

## **Evolution**

Even though Trivest devised the "lonely broker" description, the significant benefits brokers could derive from self-help groups were known through first-hand experience with The Forum (comprising seven large regional brokerage firms, all from Ontario) and "7+1" (comprising eight large regional firms from across Canada), both of which started in the late 1970s. Interestingly, despite the massive consolidation that has occurred in the industry in the past 15 years, a healthy number of the brokers from these two groups remain independent, more successful than ever, and members of successor groups.

The experience of Trivest brokers illustrates the value that brokers saw in the experience. After the demise of Trivest in 1992, each of the brokers bought back the equity interest that Trivest had held. Therefore, there was no longer a formal connection between the brokerages. However, the brokers had developed goodwill among themselves through the sharing of information, including full financial statements. They recognized this practice was very valuable and they sought to continue the tradition.

Out of these events, Insurance Network Solutions (INS) was created, a voluntary association of the former Trivest brokerages with other brokerages invited to join. INS experimented a great deal with synergies such as bulk buying power, centralized marketing, investments in a lead distribution, joint advertising and so on.

Brokers are a headstrong lot and the various experiments of INS led some members to seek an even closer relationship while others wished to preserve their independence. Out of INS the formation of the HUB group began, which is now a North American-wide company with ownership in brokerages in both Canada and the U.S. With the loss of some of its most vital members, INS evolved with the formation of another brokerage group -- the Canadian Broker Network (CBN), which consists of a group of large commercial brokerages from across the country.

There are many other groups with parallel experiences. The August Group is comprised of nine brokerages from across Ontario and meets quarterly to discuss industry trends, insurance company issues, and so forth. The group has developed its own underwriting facility as one benefit of membership. One member, John Walters of Hallmark BRB Insurance Brokers Ltd. of Toronto, sums up the value of the group as "an opportunity to

share ideas, benchmark performance with other brokers, and helps get an audience with insurers." The August group has successfully perpetuated itself. Many of the current members are the sons or the junior partners of the founders of the group, which began more than 20 years ago.

The Millennium Group has some eight members, also across Ontario. This group meets twice a year to discuss what is happening in the industry and what issues each firm is facing. Doug Bevan, the principal of D.G. Bevan Insurance Brokers Ltd. of Barrie, says that joining the group "was the best thing I ever did in my 26 years as a broker. I have picked up more knowledge from my involvement in the group than any seminar I have ever attended." Doug adds that "every broker out there should be part of a group if they want to learn and be better."

The Canadian Insurance Conference is a cross-Canada group of brokers with an interesting twist. All members of the group have multiple branches; in fact, the group was started with that in mind since multi branch brokerages face some unique challenges and opportunities and by coming together, they can learn from each other. As Loreen Belovich of Drayden Insurance Ltd. in Edmonton puts it, "why reinvent the wheel when you can learn from others -- it saves time and you likely come up with a better answer than you would have on your own."

Issues such as how branches are managed, the logistics of running sales meetings in a multi-branch environment, computer issues and so forth, are of interest to the group as well as the usual concerns about what is happening in the marketplace.

The largest broker group in the world is Assurex Global; it claims 130 independently-owned brokerages as members, including one member in most Canadian provinces. The Assurex group uses its size, with some \$19 billion in written premiums, to position its members as competition to Aon and Marsh. On top of the regular benefits of membership in such a self-help group, members of Assurex and other similar North American and international groups derive significant value from the business referrals that occur between them. Such opportunities are fewer in national and provincial groups, but they still occur as do opportunities to participate in programs and specialties that one or more of the members may have developed.

### **Broker councils**

Many insurance companies have formed groups but almost always the purpose of those groups is to advise brokers on the insurers' own products and services. These "broker councils" are often valuable conduits for brokers to give input to the insurers but the fact remains that they are primarily there to help the insurer and not the broker.

One Ontario insurance company is sponsoring an interesting experiment. It is facilitating a number of broker gatherings where the sole purpose is to provide education to brokers and to allow brokers to talk to each other about issues of common interest.

Using Cookson Walker Consulting Group to organize the groups, this insurer has allowed the groups to be independent of its own needs. After several meetings this vehicle seems already to be achieving a level of success. Hopefully, other companies that value and understand the strengths and benefits of the independent broker system, will follow this lead by sponsoring similar initiatives.

There is clearly an enduring value to be found in broker groups, particularly as the consolidation of the industry and the ever-increasing equity involvement of insurers are reducing the ranks of the truly independent firms. For those brokers who take pride in their independence and the success of their firms but are still touched by the “lonely broker” syndrome there is not a better way for them to build, strengthen and perpetuate what they have than to form a self-help group with like-minded peers.

Being an owner-operator can be a demanding job. Developing best practices and management systems is a less daunting task with the help of peers.

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