

New Business Production - The Alternative Fuel Source

For peak performing insurance agencies and brokerages, new business production continues to provide the fuel to outpace the economy. Stagnant top-line growth for the masses has rapidly evolved from an internal organizational problem into an external market excuse. Contingent income is falling. Investment income has already disappeared. Reductions in risk exposure, returned premiums and soft rates all exacerbate past growth obstacles.

High-growth insurance agencies and brokerages understand that the above are external market conditions beyond their direct organizational control. And, like the masses, these high-growth entities have reacted to market conditions by reviewing expenses, implementing cost containment plans, and focusing on account retention. But unlike the masses, peak-performing organizations also understand that the best way to outrun the current insurance and economic landscape is to proactively and continually reengineer the internal new business production engine.

While the average leakage (rate and retention) percentages are relatively comparable across the industry, new business sales have the largest impact on revenue growth.

Reconciling Organic Growth

	Low-Growth Agencies	Average-Growth Agencies	High-Growth Agencies
2008 New Business Dollars as a Percentage of 2007 Commissions and Fees Dollars	10.6%	15.1%	23.5%
Minus Leakage: Rate/Retention	12.6%	13.8%	13.2%
Organic Growth	-2.0%	1.3%	10.3%

Source: Marsh, Berry & Company, Inc., 2009

As agencies and brokerages strategize about the future viability of the organization, where is the focus: Account retention? Cost cutting? Operational Efficiencies? While all are important, organizations that are maximizing predictable and profitable organic growth are also betting on, and investing in, alternative fuel sources - new business production.

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