

# AAI 83A

## Agency Operations and Sales Management

### Segment A

### Principles of Agency Management

#### **COURSE LEADER HANDBOOK**

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# Appendix A

## Learning Activities

### Introduction

This section describes some case studies and exercises for each assignment. The material is specific to this course. Not all educational objectives will be covered, so you should supplement these exercises with your own material. Assignment 4 of this handbook provides some ideas on how you can create your own exercises.

The exercises can be worked on as a class, in small groups, or independently, with the class reporting back its solutions. To add variety in the classroom, include both group and individual work in each class.

In the segment format, you should not expect to be able to conduct more than one or two of these exercises in any single session. A tremendous amount of material is in this segment, and if you have only one day to present, you may be forced to mainly lecture.

### Special Notes

Not all educational objectives are addressed in this handbook. The ones that are addressed were chosen randomly. They are not of any greater or lesser importance than any other educational objective.

Vocabulary is an important part of Institute exams and is vital to good communication in the industry. While none of the exercises in this handbook specifically addresses the key terms and phrases, you should incorporate them into the exercises that are provided. You may also want to create your own exercises to specifically address them for each assignment.

# Assignment 1—Agency Formation and Environment

## Case Study

### Relates to Educational Objective 7

Describe the following forms of legal ownership of an insurance agency and the advantages and/or disadvantages of each: (1) sole proprietorships, (2) partnerships, and (3) corporations.

### Relates to Educational Objective 8

Describe the ways in which insurance agencies can form operating affiliations.

Using the case study below, or one you have created, have the students discuss the developments regarding organizational structure and carrier representation.

The Mitchell Agency was founded in 1937 by Arthur Mitchell. When Arthur retired from the insurance business, his son, Mark, bought the agency from him. The firm specializes in large commercial accounts. Seventy-two percent of the agency's revenue is from commercial lines, 21 percent is in personal lines, and the remaining 7 percent is in life, health, and employee benefits. Approximately 10 percent of the agency's total revenue is generated by one of Mark's large accounts. Mark's accounts also represent about 60 percent of the agency's accounts receivable that are over ninety days past due.

The agency employs twelve people, including Mark, the owner. In addition to Mark, there are two other producers. The office manager, Jim Clay, supervises the daily activities of the service department, and Mark is considering giving Jim equity in the firm. Mark serves as the firm's sales manager.

There are two commercial lines CSRs and three personal lines CSRs. The receptionist also assists in supporting commercial lines. There is a full-time claim person. Mark's son, Matt, has recently joined the firm. He handles accounting and IT issues.

The firm uses an agency management system that was purchased fifteen years ago when Mark bought the agency.

The agency targets contractors, auto dealers, retail, trucking, and public entities. It is considering expanding into wineries, fitness clubs, and nurseries. The average commission in commercial lines is \$4,500, and \$270 in personal lines. The renewal retention rate is 85 percent. The office is located in a college town. Mark and his father, Arthur, own the building in which the agency is located.

Total agency revenue is \$1,020,000. The agency represents ten property-casualty insurers and five life/health/benefits organizations. It also uses excess and surplus lines brokers occasionally and has an arrangement with a managing general agent to broker business through them.

The agency has grown at a rate of about 12 percent per year in terms of revenue. It competes with other independent agents for commercial lines business. In personal lines, most competition comes from direct writers and the Internet. Service has been a problem in the recent past, because of turnover in the CSR positions. Mark still writes the largest amount of new business each year.

## Current Developments

Mark is concerned that he does not have the ability to offer Jim equity because of the current organizational structure, which is a sole proprietorship. He also believes that he does not represent enough insurers in order to retain his top clients. He is considering entering into an independent agency network. Mark would also entertain a different type of operating affiliation if he thought he could get needed support for his existing accounts.

Form two groups and ask each group to consider the following questions:

- What legal form of organizational structure would work best for Mark if he decides to make Jim an equity owner?
- What type of operating affiliations are available to the Mitchell Agency?
- What advantages and disadvantages apply to joining an independent agency network?
- How should Mark decide whether to join an independent agency network?
- What process can Mark use to determine whether an operating affiliation is right for the agency?

# Assignment 2—Organizational Management

## Case Study

### Relates to Educational Objective 3

Describe the three types of organizational plans.

Using the case in Assignment 1, help the Mitchell Agency develop formal plans for its future. You can have the students work in three groups, assigning each group one type of plan. Approach the exercise as if they were going to facilitate a planning session with Mark and Jim.

## Group Exercise

### Relates to Educational Objective 6

Describe the types of information included in an organization's position descriptions and position qualifications.

Divide the class into two or three groups. Ask each group to write a position description and position qualifications for one of the positions in the Mitchell Agency, other than a producer. Use the template in Exhibit 2-5 to assist you.

## Group Exercise

### Relates to Educational Objective 8

Explain how managers lead employees by motivating, delegating, and managing conflict.

Most insurance agency owners and principals struggle with the need to develop creative and motivational employee compensation plans. Ask the group to brainstorm both monetary and nonmonetary compensation plans. This will likely result in a list of plans the students themselves would like to have. Encourage them to take the results back to their agency and discuss them with management.

# Assignment 3—Agency Sales Management

## Case Study

### Relates to Educational Objective 1

Describe the purposes of agency sales management.

### Relates to Educational Objective 2

Describe top-down and bottom-up sales management systems.

Using the case in Assignment 1, ask the students to prepare a proposal for Mark that would address his need to remove himself from the sales management role in order to produce more new business. They should also include a recommendation for the type of sales management planning system the new sales manager will use.

## Group Discussion

### Relates to Educational Objective 6

Explain why agencies hire new producers.

Have the group brainstorm questions to ask prospective employees for a producer position in the agency. The questions should be open ended and behavior oriented. For example, “Tell me about a time when you had to work in a team environment to accomplish a specific goal or task.”

## Case Study

### Relates to Educational Objective 8

Describe common producer compensation systems.

Mark has established a “traditional” compensation system for Mitchell’s two producers. They each receive 40 percent commission on new business and 30 percent on renewal. Mark is concerned that this type of compensation is responsible for the agency’s declining new business growth. Ask the group to design a compensation system for the Mitchell Agency producers. Consider both monetary and nonmonetary compensation.

## Group Exercise

### Relates to Educational Objective 10

Describe the benefits of, recommended frequency for, and guidelines for successful sales meetings.

Many agency producers consider sales meetings to be a waste of time. So that meetings are stimulating and motivating, management must design meetings that achieve desired outcomes.

Divide the class into several groups. Ask each group to brainstorm ideas for sales meetings that will keep producers engaged. Give a small “reward” to the group that comes up with the most creative ideas or the greatest number of activities.

# Assignment 4—Personal Production Plans

## Case Study

### Relates to Educational Objective 1

Given an insurance agency case, design a personal production plan for a producer.

Using the case in Assignment 1, have the class design a personal production plan for Mark that meets the criteria for an effective plan. Also ask students to discuss the features of the ideal production plan.

## Group Discussion

### Relates to Educational Objective 4

Describe five strategies producers use to manage time effectively.

Everyone has a daily routine that includes time-wasting activities. Have the group list the things they believe waste the time of producers, CSRs, and others in the agency. Then ask them to build a time management plan that will eliminate the time-wasting activities and replace them with revenue-generating or service improvement activities.

## Role Play

### Relates to Educational Objective 5

Describe the negotiating rules and techniques that are important to producers and how they can result in “win-win” scenarios.

Prepare a role play for the class that involves a negotiation:

- Between a prospect and a producer.
- Between a producer and an underwriter.
- Between a producer and a sales manager.

Ask for volunteers who would like to play each role. Give them a few minutes to review the details of the role play. Have the other class members observe the “negotiation” and give feedback as to whether the rules and techniques discussed in the text were followed.