

Markel Programs

22 best practices of a program administrator

1. Actuarial

Employ an actuary either internally or externally to analyze carrier claims data and project fully developed loss ratios on key programs.

Benefit:

1. When moving a program, the ability to provide actuarial data is invaluable. Even if the carrier's actuary questions your actuary's assumptions, the existence of the data in actuarial format greatly facilitates their loss ratio analysis.
2. Having your own actuarial data is invaluable when challenging the carrier developed loss ratios used for a profit sharing plan.
3. Being able to track a program's developed loss ratios independently allows a PA to be proactive if a program is trending negatively or to make a case with the carrier if it is trending positively.

2. Underwriting

Establish sound underwriting practices such as limiting authority internally according to the experience of your underwriters, performing internal underwriting audits, and developing a robust and consistent internal and external referral process.

Benefit:

1. Internal underwriting discipline will result in your carrier being more likely to expand your underwriting authority.
2. These practices will inspire interest by prospective carriers.
3. Proper execution of these practices will increase the value of your organization to an outside buyer.

3. Marketing

The traditional approaches to marketing such as printed media and direct mail are less and less likely to be effective as the next generation becomes more established in the insurance industry. Studies show that both insureds and insurance professionals 30s and younger depend almost exclusively on the web for their insurance product research. In any event, mastering the virtual world of web, search engine optimization (SEO), social media, and webinars (both recorded and live) is a must.

Benefit:

1. While quality content can be expensive and time consuming to produce, the virtual world greatly reduces printing and mailing expense.
2. State-of-the-art marketing can increase market penetration on a cost effective basis.



22 best practices of a program administrator

4. Sales

There is no substitute for direct customer contact. Depending upon the product, dialing for dollars or physical visits may make more sense. Either way, effectiveness in today's world requires a robust customer data base, in effect a Customer Relationship Management (CRM) system, which measures both your sales team and your customers' sales performance. Finally, your sales team must know your product(s) and your customers in order to be successful. Thus the right sales person will not only educate the buyer about your product but educate you as to your buyer's needs.

Benefit:

1. A CRM allows you to measure and monitor your sales performance and take action accordingly.
2. Grow your sales through the selection and training of knowledgeable sales staff.

5. Culture/ Mission

Every Company has a culture, whether deliberately or inadvertently. Culture can be created and fostered by adhering to a set of core values and having a common understanding and acceptance of organizational goals. But culture and mission must be lived--empty slogans and broken promises will naturally fail.

Benefit:

1. By building an appropriate culture given the personnel and history of the organization, the business is more likely to achieve positive, consistent results.
2. With an engaging mission that extends well beyond enriching the owners, key staff members are likely to commit to building a successful organization.

6. Contract negotiation

Serious consideration must be given to impactful provisions contained in a Program Administrator/ Carrier contract. Before signing the contract, a PA must figure out which "hills to die on" in order to protect the future of his or her business.

Benefit:

1. By requiring that key provisions like "sole ownership of records and expirations" or reasonable termination clauses are contained in the contract, a PA can ensure that they can keep the business that they have worked hard to develop.
2. A wide variety of contract terms can have a huge impact on PA profitability--not just commission but also profit sharing, allowable fees, payment terms, reimbursement for loss control and marketing costs, return of audits, etc.

7. Collections

An effective collections process depends not only on a diligent staff but also on the integrity of the invoicing. Not only do invoice errors and/or weak collections staff or processes create payment delays, but they can also seriously annoy customers.

Benefit:

1. Improved cash flow.
2. Identifying payment problems sooner rather than later resulting in faster and more effective remedial action.
3. Positive rather than negative customer interactions.

22 best practices of a program administrator

8. Systems

System decisions offer a minefield of potential bad choices. A robust due diligence and training process is crucial to positive outcomes. A common pitfall is to favor one system solution that performs a wide range of tasks (usually some better than others), rather than a number of systems, each of which handles a limited set of operations extremely well. Another challenge is expecting any system to be able to effectively handle inconsistent and/or poorly designed processes. An effective software implementation frequently requires changes in work flow processes. Finally, the system platform must be modern and scalable, i.e. relatively easy to modify, to pull data out and to push it in.

Benefit:

1. Avoiding mistakes by seeing how a system functions in the “real world”.
2. Using a system to its greatest effect by learning from others who have been successful with it.
3. Picking a system that will provide the most effective solution for a specific need.
4. Better implementation outcomes by improvements in work flow processes.

9. Strategic planning

A PA must keep an eye on the future as well as the present. It is easy to become immersed in the day to day challenges of running the business without working on the long term Vision for the organization. A regular offsite meeting, properly organized, can help keep the CEO and management team focused on actions required to achieve a desired future state.

Benefit:

1. Issues like developing competitive advantages or adjustments to the business model can best be addressed through an effective Strategic Planning process.
2. Strategic Planning involving key team members beyond the owners or CEO helps create “buy in” and commitment from those who will play an important role in executing the company’s Strategy.

10. Financial accounting

Accurate and timely financial reports allow a PA to identify quickly what is working and what is not working and to take action accordingly. Where a PA has multiple programs or departments, profit center and cost center accounting provides useful feedback on product profit margins and on the performance of staff responsible for those areas. Comparing actual numbers to the budget forecast is a key part of that analytical process.

Benefit:

1. You cannot improve what you cannot measure. Regular and consistent financial measurement is common to all successful companies.
2. The right financial reports promote accountability at multiple levels of the organization.

11. Human capital management

PAs like most other businesses depend greatly on the quality and commitment of their staff. Effective practices for employee recruiting, selection, and retention can make a huge difference. In addition, frequent (but relatively brief) review meetings with all direct reports, combined with a career development approach for promising staff members, is important.

Benefit:

1. An outstanding staff tends to produce outstanding results.
2. Star employees will stay with a Company that offers them a promising future.
3. Regular and effective review meetings with direct reports helps manage expectations, promote accountability, and provide direction.

22 best practices of a program administrator

12. Compensation

By keeping salaries within the range of the marketplace, turnover can be minimized. Profit sharing and/or sales incentive programs, adjusted appropriately according to the position, allow staff members to participate in the success of the organization and can encourage commitment. For staff that a PA simply cannot afford to lose, there are a variety of means to grant an ownership position which can be vested and earned over time.

Benefit:

1. Attract the right people with the right compensation package.
2. Retain the right people in the same manner.
3. Promote commitment by giving staff a stake in the Company's success

13. Recognition

Studies consistently reveal that recognizing staff for outstanding performance, both on a group and individual basis, can be surprisingly effective in terms of enhancing their workplace experience, job engagement, and desire to remain with the organization. A key tenet of recognition is that it must be for a specific and real accomplishment, otherwise staff will not take it seriously.

Benefit:

1. Improve employee retention at little or no cost.
2. Improve staff performance at little or no cost.

14. Errors and omissions

Because PAs are often authorized to perform a wide range of duties on behalf of their carriers, there is a significant risk that they will inadvertently violate that authority or issue policies, endorsements, cancellations, or reinstatements incorrectly. These errors can easily become liability claims. Staff training and internal monitoring can greatly reduce this risk.

Benefit:

1. Reduce the chance of a claim on your E&O policy.
2. Improve the accuracy of your policy documentation.
3. Prevent strain on a carrier relationship due to a claim.

15. Distribution

Determining a distribution approach that best suits the program or product is important. The typical choices are direct, retail producers, or wholesale. In some cases a multiple distribution channel approach can make sense. The best way to grow and develop the channel(s) will vary. A key decision on the retail channel is whether to use a limited group of specialists or work through a broad network of producers, or both.

Benefit:

1. The right distribution channel will have a positive impact on sales performance.
2. By researching what marketing/sales approach will likely work for the product and the chosen distribution channel(s), better outcomes can be expected.

22 best practices of a program administrator

16. Outside advice and consulting

Being a CEO is a lonely business, and if you are also the majority owner, you can be even more isolated. Even loyal, long-term senior staff will not always provide objective advice. Invariably, experienced and disinterested consultants or Board members can be invaluable in providing a fresh and informed perspective on significant business issues and opportunities. Rigorous due diligence as to the best medium for that advice is recommended.

Benefit:

1. Avoid “reinventing the wheel” by benefiting from the experience of others.
2. Make decisions with more confidence knowing that you have received some of the best advice available to you.

17. Program submissions (including start-ups)

Whether you are marketing an existing program with a track record or a start-up program without one, a comprehensive, quality proposal addressing all of the elements required to make a program successful will make a huge difference in your ability to find the right carrier. In the case of start-ups, it is imperative to be thorough in order to overcome the carrier prejudice against them. A crucial factor will be identifying a means to provide a projected loss ratio that has credibility.

Benefit:

1. Improve the likelihood of not only finding a carrier, but finding the “right carrier”.
2. Enhance your reputation within the carrier community by the quality of your program submissions.

18. Mergers and acquisitions

PAs are sometimes the acquirer and other times the acquired. When acquiring another business, a PA must know how to do the appropriate level of due diligence in order to price the business appropriately and to avoid buying a property that has significant, unforeseen issues. When selling, a PA is well advised to have its “house in order” internally and to seek external advice in order to maximize the value of the Company. Either way, culture plays an important role as two organizations, with conflicting values, can create overwhelming challenges during the transition phase. This can prove difficult in the best of circumstances.

Benefit:

1. Buy and sell at the right price and at the right terms.
2. Whether buying or selling, organizations with complementary values are much more likely to have a good post acquisition outcome.

19. Operations

A PA's profit margin and customer responsiveness depends a lot on the efficiency and accuracy of the back room. While good automation is often necessary to support effective Operations, it is even more crucial to design and enforce an efficient and consistent process which has a clear line of staff accountability. With regards to the latter, monitoring process speed and errors at the individual and department level is essential.

Benefit:

1. Improve your key customer service metrics like quote turnaround and document error ratios.
2. Reduce staff costs by developing efficient processes

22 best practices of a program administrator

20. Loss control

Loss Control services are a great way for a PA to add value to the product and, in some cases, will result in the development of a competitive edge. In general, programs with larger, more complex risks are more likely to benefit from risk management services than those with smaller accounts. Loss control services can be delivered in a variety of mediums. Because programs are typically limited to risks with common exposures, PAs can offer risk management customized for the industry.

Benefit:

1. Set yourself apart from the competition.
2. Obtain a reputation for being an expert in your industry program

21. Training and education

Your best employees want to feel like they are becoming more knowledgeable and, consequently, more valuable over time. While on-the-job training is inevitable for most PAs, putting structure around that process will produce more consistent results when integrating new staff or training existing staff on a new procedure or system. Every organization should also find ways to encourage outside insurance education appropriate to the position and should use outside resources to develop soft skills like leadership and sales.

Benefit:

1. Improve retention among your most ambitious and capable employees.
2. Maximize the capabilities of your staff.

22. Surveys

Surveys of employees and customers can be a very effective tool in determining changes that are necessary to improve the business. The challenge with surveys is to avoid ambiguous or leading questions that are unlikely to produce the consistent, objective feedback that you want.

Benefit:

1. Get objective advice from staff and customers as to how to improve your business.
2. Improve your company image by listening to, and taking action on, feedback from key stakeholders of the organization.

Contact Markel Programs

Greg Thompson
Sr. Managing Executive
678-290-2109
gsthompson@markelcorp.com