



THE ANDERSON Agency Report

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Are You Servicing Your Service Center Business?

BY PAT ALEXANDER

Let's see if I get this right. An agency receives reduced commission from the insurance carrier to place defined business in a service center. The insurance carrier agrees to service the business and be responsible for collecting premiums and the errors and omissions exposure. This arrangement allows the agency to either employ less staff or free up current staff to service more profitable accounts. The cost of agency staff should far outweigh the reduction in premium, thus, accounts in the insurance carrier service center become more profitable to the agency.

Is this what your understanding is of using an insurance carrier service center? If so, we are on the same page at this point.

What is going on?

So, why are a number of agencies continuing to service business that they have placed in

insurance carrier service centers? Here are the reasons agencies tell me that they continue to service this business:

- Part of the customer's account is in a service center and other parts are placed with non-service center insurance carriers.
- The customer's account is split into one or more service centers.
- The staff or the producer says an account is not the right risk for an insurance carrier service center, even if it is.
- The insurance carrier will not change the wording on a certificate of insurance in accordance with the customer's request.
- The agency has not trained their customers on the use of the service center.

“...why are a number of agencies continuing to service business that they have placed in insurance carrier service centers?”

“As with every aspect of your agency, transitioning customers into insurance carrier service centers requires planning.”

- The agency’s staff tells the customer it is okay for the customer to call them and they will get the information to the service center.
- A producer or owner of the agency tells the customer it is okay for the customer to call the agency staff and they will get the information to the service center.

Does any of this sound familiar? What causes these issues? When part of a customer’s account is placed in a service center and other policies are placed in non-service center insurance carriers, the customer must call your office for service on the policy or policies not in a service center. If your staff tells the customer that they must call a service center after assisting them with the non-service center items, the customer is not happy. When a customer’s account is split between two service centers, they are not happy about this situation either.

In the case of a change as simple as an address change, the customer must call two different numbers, work their way through two phone menus, and explain their change to two people. Think about the time and possible frustration. As a customer, I would be inclined to find an agency that cared about my business more than this.

The certificate of insurance issue concerns me most. There is much conversation and legal

action regarding certificates of insurance these days. I had an agency employee tell me just this week that “a certificate of insurance is just a proof of insurance and no reason for concern.”

There are numerous agencies that have been involved in E&O claims associated with certificates that would certainly disagree with this statement. Insurance carrier service centers have a list of statements that they may make on a certificate. The staff in the service center may not deviate from these statements. If amendments to these statements or additional statements must be made, the approval of an underwriter is required.

This is an almost impossible task for an insured to accomplish with an insurance carrier service center. When the service center employee advises your customer that they cannot make the wording change as requested, the customer will call your agency.

I find agencies will either secure the approval of the insurance carrier’s underwriter for the needed wording or, more frequently, simply issue the certificate of insurance as requested without anyone’s approval.

This may not seem like a big deal; after all, the insurance carrier has agreed to bear the E&O exposure on these accounts, right? However, in these instances, the agency has become involved in the process and has actually issued the certificate of insurance for the

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customer and their certificate holder. Once this happens, the agency bears the E&O risk.

Imagine that you, the agency owner, is on the witness stand. The prosecuting attorney has a copy of the insurance carrier's certificate of insurance statement policy. He is asking you where you received the authority to issue a certificate with wording other than the statements on the insurance carrier's document. Unless you have written approval from the insurance carrier's underwriter you have no answer that will absolve you of violating the insurance carrier's policies and procedures.

In actuality, you probably won't get to this stage. Your E&O carrier will be making every effort to settle this claim out of court, but rest assured that you will be paying your deductible and probably a premium increase at renewal.

Besides E&O exposure, let's discuss the cost of your staff servicing these accounts. Remember—you gave up commission dollars to place these accounts in the service center. When your staff gets involved with these clients, it is no longer just the client they are dealing with. Your staff must also call the service center to transmit the customer's request so that the policy(s) is correctly endorsed.

In some agencies, the staff sets a follow-up to track pending endorsements and certificates of insurance that they have requested from the service center on behalf of the client. In this scenario, you are paying your staff to fully service customers, even though you're receiving reduced commission.

Plan before using a service center

I am not advocating that your agency should avoid insurance carrier service centers. I am suggesting that before placing accounts with an insurance carrier service center some planning and decisions need to be made. Consider the following:

- A customer's account should only be placed in an insurance carrier's service center if all of his/her policies can be in the same insurance carrier service center.
- Determine if the customer's type of business is appropriate for an insurance carrier service center. An artisan contractor that needs weekly or daily certificates of insurance might not be a good candidate unless the insurance carrier specializes in these and their certificate of insurance policies meets the needs of your customer.
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- Train your customers to use the insurance carrier's service center. After all, you probably told your customers that they should place their account with you because of your agency's superior customer service.
- Communicate with your staff about the proper process for handling customers who are in an insurance carrier service center when that customer contacts them. The staff should be provided with a script, and they should practice the script. Ideally, you want your staff to communicate to the client in a positive voice that they will need to discuss their insurance needs with the insurance carrier's service center. It is very helpful if the agency's telephone system allows the staff to easily transfer the customer to the insurance carrier's service center so that the customer does not have to hang up and call another number.
- Owners and producers need to have this same script.
- If it is determined that a customer does not fit into the insurance carrier's service center after it is placed there, take the necessary steps to move it out.

As with every aspect of your agency, transitioning customers into insurance carrier service centers requires planning.

I do know agencies that have had very positive experiences with placing their customers in insurance carrier service centers. Some of these agencies have discontinued the download of the activity for these customers into their agency management system. When this is done, the agency's staff does not have current data that would allow them to answer customer's inquiries.

I know this is a scary proposition for some of you, but there are certainly reasons to do this. And, if that insurance carrier should leave your state and/or cancel your contract, you would be able to secure needed information to re-market the business.

Before implementing any change to your current processes, be sure to plan and train. Some of these steps require that you check your contract with the insurance carrier and negotiate amendments that might be needed. Proper planning and use of the insurance carrier's service center should be a positive experience. ☐

🗨 **Pat Alexander, CIC**, is a consultant, coach, and mentor. Her many years of experience in retail agency and MGA settings give her a broad range of knowledge in agency operations. She is dedicated to educating her clients on using technology to enhance and build their business and profitability. She can be reached at pat@patalexander.com or 817-605-1663.

TAAR Has Changed... for the Better!

As a “seasoned” member of the insurance industry (that means I’ve been around awhile) and as *TAAR*’s owner and executive editor, I have the privilege of interacting with innovative agents across the country. I am able to discover from leading agencies the best practices they have developed to satisfy the changing needs of their clients. I often tell my clients that “change for change’s sake” can be detrimental—but change to produce a better product or service is well worth the effort.

And just like your agency, *TAAR* has changed to help you find and implement the best technologies and best practices for superior results.

New name: The Anderson Agency Report. As a continuing sign to you of my personal commitment to quality and a laser-like focus on the needs of the independent agency, I am putting my name behind *TAAR*. The content of *TAAR* still remains about the overall impact of technology on every element of your agency.

More content: We’ve added four new pages to *TAAR*, which contain more of the articles you have enjoyed and profited from over the past years.

New look: Easier readability. *TAAR* has a completely new design. My hope is that it will be easy to read, navigate, and allow you to find the information you need quickly.

Our new company mission says it all: *The Anderson Agency Report* will provide you with the latest information about the best technologies and best practices to help you achieve *superior* results. It is my personal promise to you.



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