

BANKER & TRADESMAN

THE FINANCIAL SERVICES AND REAL ESTATE WEEKLY FOR MASSACHUSETTS

A Publication of The Warren Group

INSURANCE & INVESTMENTS



NETWORKING FOR SUCCESS

More Mass. Insurers Looking To Collaborate, Network

With Managed Competition, Some Agencies Fade, Others Fight

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It's been two years since auto insurance in Massachusetts shrugged off its decades-old method of fixing rates. And currently, most agents say the state's industry is slowly thinning its ranks, with agents either selling or fading away, riding out their existing business without putting up a fight for new customers.

But, in part thanks to the fiercer competition, agents looking to up their game – or stay alive – are now more likely to consider joining an insurance network, according to some agents and networks. Insurance networks admit agencies, for a fee, into a collective that pairs them with a larger group of insurance companies that a fully independent shop is unlikely to snag on its own.

"Let's put it this way: It's easier to open discussions with agencies," said Bruce Cochrane, president and CEO of Wellesley-based Renaissance Insurance Group. He added that more agents in Massachusetts are applying to insurance networks now that the state has entered a more aggressive era in insurance sales.

A Savior

Insurance companies often opt not to do business with a small agency unable to offer much volume or profit. In the days of Massachusetts' fixed auto insurance pricing system, having one or two insurers wasn't a problem. Rates were all equal, so it didn't matter if an agency only offered customers a couple insurers



Bruce Cochrane

to choose from.

But that all changed April 1, 2008, when the state's decades-long policy of setting auto insurance rates ended. Fran-

cis Mancini, executive director of the Massachusetts Association of Insurance Agents, said some agents figured it was a good chance to make their exit. MAIA started 2008 with about 1,600 member agencies, and that's dropped by about 200 as of this year, Mancini said. The group continues to get notices that various members have merged or sold their shops.

But, "[networks have] really been a savior for a number of small agencies that want to be independent, but at the same time have to survive in this new market," Mancini said.

The changeover brought in new competition from direct writers like Geico and Progressive, behemoths that Cochrane predicts will eventually force many agencies out of business.

But Robert Hollis, owner of Hollis Insurance Agency Inc. in Plymouth, said most of the competition currently comes from agents' own peers.

"I haven't lost that much business to direct writers," he said, despite agents' fears to the contrary. It's the agency down the street – which might be aggres-

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in the past two years, Cochrane said, although he noted a lot of the new companies hail from the network's foray into Connecticut.

Select Company

Hollis is a member of Renaissance, and had joined long before the state auto insurance changeover. But he said other agents are now thinking about applying where they otherwise might not have considered it.

But even if more apply, it doesn't mean they'll be allowed to join up. The New Hampshire-based Satellite Agency Network (SAN) caters to very small agencies, mostly those with only a few employees and less than \$4 million in premium. But SAN Vice President Michele DeForest said the network rejects far more applicants than it accepts.

She agreed that more insurance agents have been knocking on SAN's door since managed competition came around, but the network's 285 agencies aren't likely to get too many new mates, thanks to tough admissions policies.

Renaissance only considers agencies with more than \$5 million in premium, and has 86 agencies in its network, 72 in Massachusetts. It grew by 38 percent in premium volume under management

Managed competition has been a huge shake-up for Massachusetts' agents, DeForest said. Auto insurance is the "bread and butter" of any personal lines agency, and prior to April 1, 2008, agencies simply had to pride themselves on excellent service, without much need to cultivate a sales-oriented mentality. So, DeForest said, SAN outfits itself as a consultancy in addition to a network, working with its agencies to implement marketing plans – often for the first time in the agency's history.

But for all the agencies brainstorming survival strategies, according to Cochrane, others are content to let themselves coast on their current book of business. It makes more economic sense to continue making money off a shrinking agency rather than sell right away for less, he said. As those agencies wither, the number of closures is likely to skyrocket in the next few years.

"There's no question that the independent agency market share has nowhere to go but down." ■

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