

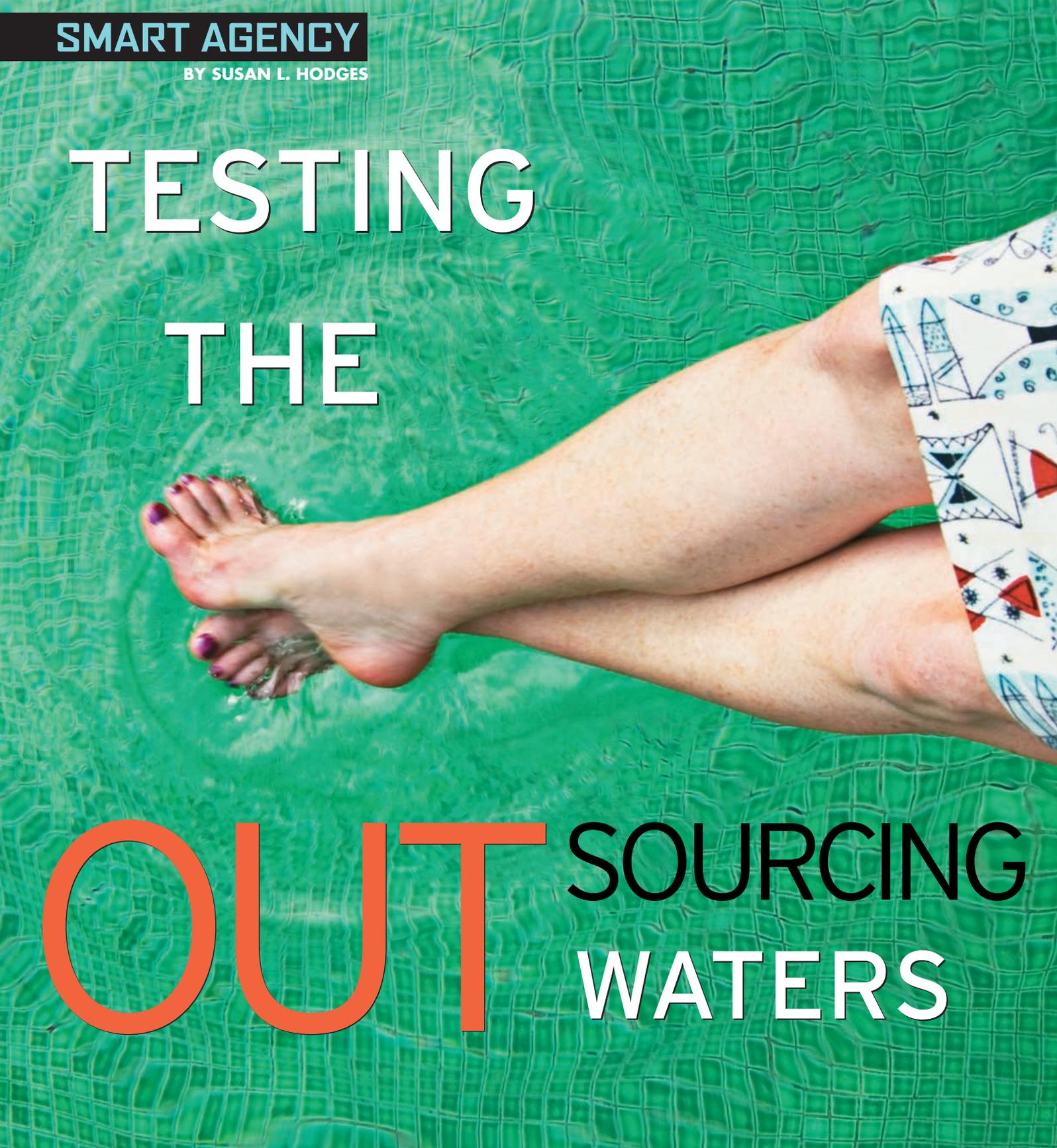
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SMART AGENCY

BY SUSAN L. HODGES

TESTING
THE

OUT SOURCING
WATERS



WHY BURDEN HIGHLY-PAID INTERNAL EMPLOYEES WITH TASKS THAT CAN BE DONE OUTSIDE FOR LESS?

Bruce Cochrane has seen the future, and he thinks it's already here—at least when it comes to insurance services. "This business is not about bricks and mortar anymore," says the president of Renaissance Group, a Wellesley, Mass.-based network of services for New England independent agencies, insurers and vendors. "It's about meeting customer needs quickly and in the ways they want."

Cochrane should know. Ninety agencies and more than 100 carriers and service providers belong to Renaissance Group, and it's Cochrane's job to keep things operating smoothly. "Commercial lines rating is a major portion of what we do, much of it on carrier websites," he says. "Right now there are no successfully functioning comparative raters in commercial lines, so it's a huge task—and we outsource probably 90% of it to our team in China."

For the past three years, Renaissance Group has employed 10 college graduates in China through ReSourcePro, a New York City-based firm founded by insurance wholesale professionals. "We do it for three reasons," says Cochrane. "The cost is about 40% of what it would be here in the U.S.; the accuracy of the work performed is probably higher than we could attain here; and these employees work while we sleep." A rate submission arriving electronically at Renaissance Group at 4:30 p.m. can be packaged, checked for errors and loaded into a system that organizes the submission into work flows and sends it to China. "When we come in the next morning, we have 15 or 16 quotes for the same risk waiting on our desktops," says Cochrane.

The Sky's No Limit

Whether an agency outsources work to China or Chippewa Falls, Wisc., the result is often an increase in efficiency and customer service without a large

increase in cost. Internal workers have more time to focus on the jobs they were hired to do while other tasks are handled by "outside assistants."

Outsourcing is nothing new—but the technology used to do the work and send it back and forth has improved exponentially over the last few years. Thanks to high-speed Internet connections and the exploding number of devices that can use them, everything from requests for certificates of insurance to full-service accounting can be shipped out, done remotely and sent back, often before the next sun rises.

Javier Rodriguez, president of Risco Insurance Services, Inc., of South Gate, Calif., outsources select back-office tasks and assistant underwriting work to individuals in India. "We ask them to do things that are labor-intensive but not highly technical," says Rodriguez, who met each of his remote workers on regular trips to India. Spreadsheets,

sales charts and claims histories are among the tasks done by these workers; Rodriguez says he has also asked Indian IT professionals to consult on occasion. "The biggest advantage is cost," he says. "We're probably paying 10 cents on the dollar, which allows us to have some time-consuming projects done that would be too expensive to do here."

Rodriguez is also considering outsourcing his agency's telemarketing work to Latin America. "They may not speak English but they speak Spanish," he explains. Spanish-speaking Americans make up a major portion of Risco's clientele. Not only is Rodriguez thinking of employing workers in Nicaragua and El Salvador, he's also looking at Mexico. "Jobs there are tough to get," he says, "and deportees usually don't have accents."

Mexicans deported from the U.S. are becoming "an important commodity," Rodriguez says, because many lived in the states most of their lives

What Shouldn't You Outsource?

Risco Insurance Services of South Gate, Calif., has nine regular employees and limited resources. That's why President Javier Rodriguez outsources work every now and then and is considering doing it more often. But there are certain tasks he won't entrust to anyone outside the walls of his agency. "What wouldn't we outsource? Whatever is prohibited by the [California] Department of Insurance," he says seriously. "That would be number one."

Nor would Rodriguez outsource the relationship-building that forms the foundation of so many successful agencies. "I don't think you can replace relationships in this business," he says. "And outside the U.S., I don't think you can touch the level of skill used to understand and conduct good business."

Bruce Cochrane won't outsource any task that involves speaking directly with customers. "All of the people we use in China are educated and have been able to do everything in a way that meets our highest standards," says Cochrane, president of Renaissance Group in Wellesley, Mass. "But direct customer contact...we stop there."

Avi Wilhelm wouldn't outsource anything to anyone who didn't get along with the rest of his staff. "We have about 10 people who come in daily, and they love our remote workers," says the president of The Wilhelm Agency in Lakewood, N.J. "It can take a little longer to get to know outside employees, but [we have] three great people, and everyone understands and values what they bring to the table."

Dennis Murphy III, president of D. Francis Murphy Insurance Agency in Hudson, Mass., wouldn't outsource insurance certificates. "No two are the same," he says, "and that could be a challenge."

—S.H.

“It’s a win-win situation for agencies and for retired baby boomers who can work remotely.”

before being deported. “It’s not a sophisticated work pool yet,” he says of deportees, “but I think eventually it will be.”

Asked how he would respond to criticism that by outsourcing work to other nations he is depriving Americans of jobs, Rodriguez says, “To put this in perspective, I think what we outsource is less than 5% of our work. We only outsource things we don’t have the staffing for here. Of our nine employees, no one has been laid off, and no one’s hours have been cut because of outsourcing. We don’t want to displace people here, but at the same time, we don’t want to be naïve. We’re in a global economy now, and things are different.”

Local Goes National

Things are different and improved at The Wilhelm Agency, Inc., in Lakewood, N.J. Last year, Vice President Avi Wilhelm hired a remote account manager or CSR through WAHVE (Work at Home Vintage Employees), of New York, N.Y. “I had researched the options and felt that our No. 1 priority should be hiring people who can talk to our clients,” says Wilhelm. For that reason, he wasn’t interested in outsourcing beyond the U.S. “Also, I didn’t feel that others would have the same level of experience,” he says.

Wilhelm had already set up a remote working arrangement with an employee who moved out of the area, so he thought outsourcing to others might also be successful. Through WAHVE he soon hired a retired commercial lines CSR living in Tennessee. “She started as an assistant CSR, but within a few months, she took on a larger role when one of our internal employees left for maternity leave,” says Wilhelm. “We were also reorganizing our client split, and [this CSR] stepped right in. Now she’s managing her own book of business by herself.”

The Wilhelm Agency now employs one part-time and two full-time CSRs through WAHVE, and Avi Wilhelm

couldn’t be happier. “What started as an experiment to bring on additional help turned into the realization that this was a system that could really work,” he says. “These workers are exactly like someone who lives down the block. The only difference is that we don’t see them on a daily basis.”

WAHVE is the brainchild of Sharon Emek, a member of IIABA’s Agents Council for Technology and past board chair for the Independent Insurance Agents & Brokers of New York. Emek had struggled to find qualified workers as an agency principal. She’d also had conversations with women business owners about living longer, working longer and the continued need for insurance. The combined experiences led her to an epiphany. “I woke up one morning and thought, ‘Why not capture retiring baby boomers instead of outsourcing work overseas?’” relates Emek. “Baby boomers get tired of stress in the office, so they retire. Then they get bored and decide they could use extra money, but they don’t want to return to the office. I realized they could work from home as independent contractors for agencies that need them.”

An Untapped Well

To gauge interest in the idea, Emek asked the National Alliance for Insurance Education and Research to conduct a survey. “Thirty-five hundred people responded,” says Emek. Subsequently she and four other insurance veterans launched the WAHVE website. “Now we have more than 350 people over age 55 who have insurance experience, are qualified and want to stay at home but still work,” she says. It’s a win-win situation for agencies and for retired baby boomers who can work remotely.”

Asked how WAHVE competes with outsourcing firms that use foreign workers, Emek said, “Our workers understand the balance. They don’t have office stress or office politics or business travel, so they’re going to

get paid less. They cost about 40% to 50% less, and they have 25 to 30 years’ insurance experience.” Some 800 people with insurance experience are now registered with WAHVE. Those who pass the company’s interviews and rigorous online testing will be added to its growing work force.

Clearly, the outsourcing business is heating up. IQ Back Office, Inc., of El Segundo, Calif., is another firm that specializes in doing outsourced work for insurance agencies and carriers. Spokesperson Phyllis Field says one way the company sets itself apart is by offering full-service work that takes the place of complete in-house departments. “We have a whole organization that does HR payroll and outsourcing,” she says. “We also have CPAs who can handle all of a firm’s accounting, including QuickBooks. Our firm can spend time on thankless tasks that don’t help your agency grow, but are critical.”

As of yet, however, Field says most agents don’t realize how much they can outsource. “Generically, there are only some services like payroll that people understand can be outsourced,” she says. “But today you can hire people as virtual assistants and use technology right on the Internet. You can get work done right the first time and without the hassles. And nothing gets paid without your approval.”

Terrific as it all sounds, though, there are precautions. “You have to look at the overall picture,” says Avi Wilhelm, whose 10 internal employees work closely with the agency’s three remote workers. “You have to do the research to know what you’re getting,” he says. “There can be significant savings, but you have to have the right people doing the work. When you do, outsourcing can be a great fit for your agency.”

That’s not to say The Wilhelm Agency advertises its use of remote workers; it doesn’t. “We don’t share this information with most customers because it might make them nervous,” says Wilhelm. But one of his outsourced

workers in Tennessee has a Southern accent, leading some customers to ask Wilhelm where he got her. Says Wilhelm, "I just say, 'Isn't she great?'"

Dennis Murphy III, president of the 75-employee D. Francis Murphy Insurance Agency in Hudson, Mass., doesn't outsource work to anyone yet; his views on the subject are still evolving. But they include a global perspective. "I don't know if we're

more efficient than other agencies or if we just haven't seen the light," he says. "But I do think that carriers, customers or whomever pays us in the future will pay for our value-add and our knowledge—not for flow charts or data input."

If his agency were to outsource tasks of any kind, Murphy says it would probably be non-insurance functions such as IT servicing, marketing, human

resources and accounting. "I think others will come along who'll be able to do these things much less expensively than we can," he says. Meanwhile, Murphy watches and waits. "Maybe we'll become an outsourcing resource for others," he muses. "The agency world is rapidly changing." □

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