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# Rough Notes®

PROPERTY & CASUALTY AGENTS

AGENCY MARKETING • INSURANCE MARKETS • NEW PRODUCTS

NOVEMBER 2008



MARKETING AGENCY OF THE MONTH:

**COMPENSATION MODEL  
YIELDS GREAT RESULTS IN  
THE GREAT NORTHWEST**

**ALSO: HR ASSISTANCE FOR AGENCIES**





## MARKETING AGENCY OF THE MONTH

# TEAMWORK IS A

*This Northwest agency stressed teamwork*

By Dennis H. Pillsbury

When Messrs. Parker and Smith left a general agency to establish their own agency in downtown Seattle, Washington, in 1937, they resolved to structure it in a way that would empower employees. The idea was to meet client expectations for service, and the placement of the insurance would follow.

To accomplish that, they decided to defy conventional wisdom and compensate all employees on a salary

basis, with the salary based on how well they met client expectations rather than on just selling something. Key employees would be given the opportunity to buy in to the agency so that it could be perpetuated internally.

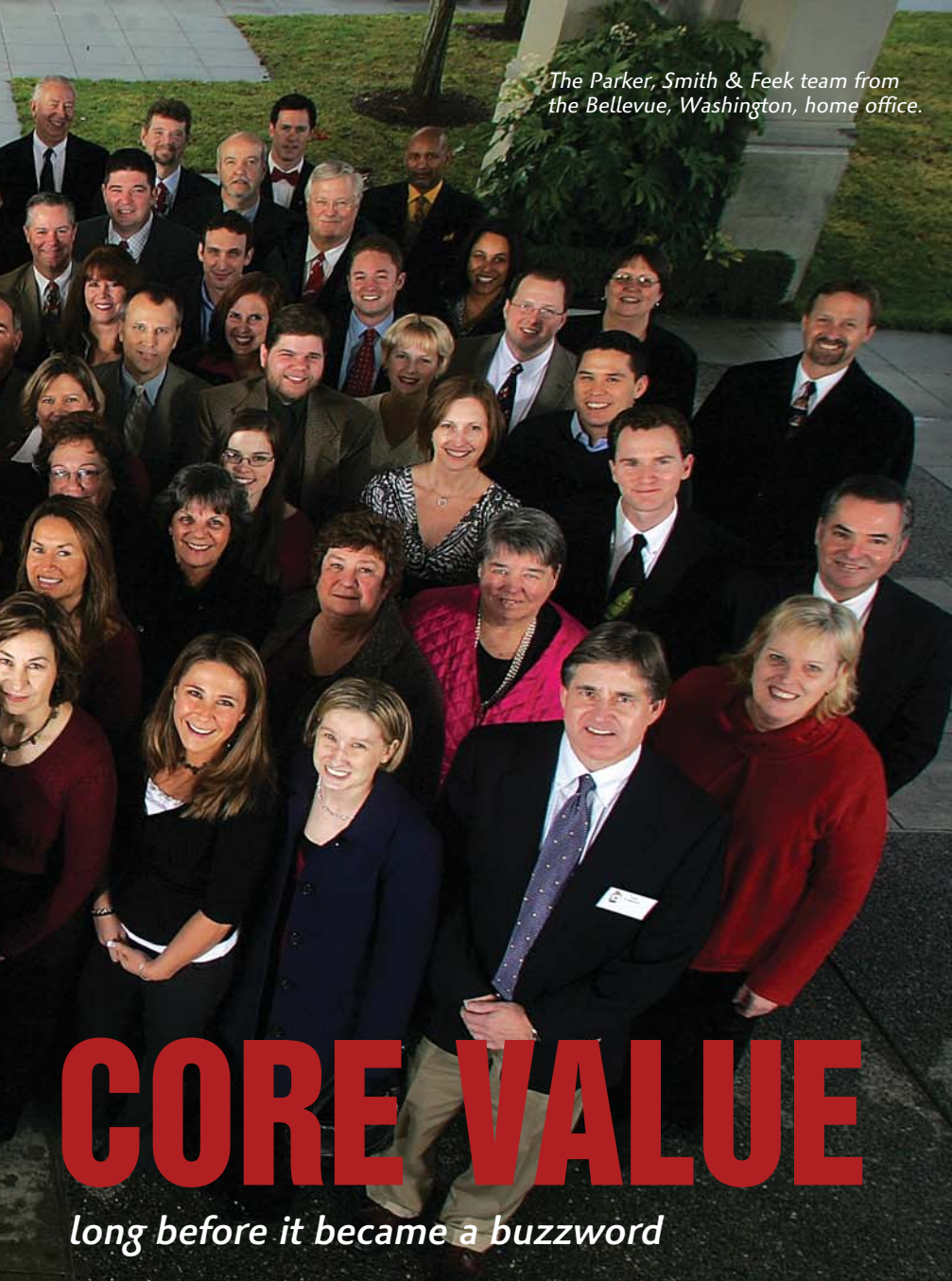
They were soon joined by Mr. Feek, who shared their ideals, and Parker, Smith & Feek, Inc., was born.

Today, the agency is one of the largest independent agencies in the country, with some \$30 million in revenue. It employs 170 people in its offices in Seattle and Anchorage, Alaska, "every one of whom is considered a key player in its success," says Greg Collins, president and chief

executive officer. "Our founders created an atmosphere where employees were able to be genuine and act in complete alignment with the values of the organization. They were the clock builders—not the time tellers—that the authors of *Built to Last* talked about.

"The end game in this business," Greg continues, "is to be in the best position to attract and retain great people. And we have an organizational structure that makes this possible. At the end of the year, profit is distributed back to employees. Everyone is eligible for an end-of-the-year bonus. We have an





*The Parker, Smith & Feek team from the Bellevue, Washington, home office.*

# CORE VALUE

*long before it became a buzzword*

annual meeting in December where we show our employees all our numbers. We show them our year-end profit and what is going to bonuses, to profit sharing and what amount is being retained to ensure future growth. Everyone understands that we win and lose together, as a team.

"Key employees are able to buy ownership on a book value basis. We currently have 24 shareholders, spanning several generations," Greg adds. "This puts us in a position where we can remain independent and can focus on long-term strategies. In fact, long-term thinking permeates the agency. Our employees and

shareholders see that our long-term success contributes directly to their success through profit sharing and deferred compensation."

He continues: "It's incredible what this model has produced. It inspires teamwork. One of our missions is to increase cross-selling, and we have had no problem getting our people to see the value in this approach. Everybody is aligned with this mission."

"We place huge emphasis on quality control and quality management and, again, have gotten complete buy-in from our employees who recognize that improvement in these areas means

better service to our clients and our companies, as well as better bottom-line results for our agency."

## Everybody wins

The customer focus extends to the insurance companies the agency represents. "Our carriers are our customers," Greg points out, "and we focus on that customer base with the same intensity that we offer our insureds. We try to structure our submissions so the underwriter will look at them first and give our clients the broadest consideration."

"We all recognize that without quality products from our insurers, we would not be able to answer our clients' needs," he says. "We work with our companies to make certain that we are providing them with business that meets their goals, just as we work with our clients to make certain that we are meeting their risk management needs. It is a system where everybody wins."

"The companies win by obtaining good business. The clients win by having effective risk management programs that reduce their overall cost of risk and by having excellent claim service when that is needed. Our employees win by having satisfying jobs where they can do the right thing for their customers and through a compensation structure that rewards them for service excellence. And our agency wins by retaining profitable business. We set a goal each year of 95% client retention and regularly achieve a better result. Last year it was 97%," Greg explains.

"This same intensity and focus goes into our new business development strategy, emphasizing meeting client needs rather than selling insurance."

## Deep experience

The 170 employees who comprise the PS&F team cover the gamut of disciplines needed to make certain that their clients have a risk management program that is integrated into their strategic business plan. "Our objective is to be the trusted advisor for our clients," Greg says. "To accomplish that, we need to completely understand their business and develop the appropriate risk transfer mechanisms that will best adhere to their overall business philosophy. That's true across all our departments—commercial insurance, surety, benefits and personal lines."

"That process starts with a thorough analysis of the client's exposure to risk, coupled with an



understanding of that client's risk appetite so we can determine not just what coverages are needed but the appropriate use of deductibles and self-insurance options as well. We also work with our clients to develop appropriate risk mitigation techniques."

To accomplish this goal, the agency has eight in-house claims professionals and three risk control experts. These are people who have many years of experience in these disciplines and have chosen to work at PS&F where they can best utilize their expertise to help insureds. In the employee benefits department, PS&F works with clients to implement wellness programs designed to improve employee health and better manage the rising costs of medical care.

Nowhere is the evidence of Parker, Smith & Feek's commitment to client service more obvious than in the area of workers compensation. The agency is unique in that its main office is located in a monopolistic workers comp state, while its branch office is in a state with one of the most expensive workers compensation systems in the country. Yet both offices provide workers comp consulting to clients. "They look to us to provide all services needed for total risk management, and that has to include workers comp," Greg notes. "That is an area where employers feel almost continual pain, and we need to be there to help them alleviate that pain."

When the agency opened its office in Alaska, that mantra stood it in good stead. Workers



The PS&F team in the Anchorage office.

compensation is quite expensive in the state and the need for effective management of workers compensation risks is absolutely vital. "Workers comp accounts for about 40% of our revenue," Dave Eckroth, Anchorage manager, points out. "We have a niche focus, with the construction industry serving as the cornerstone. Health care is second," he adds. "Workers comp represents a big ticket for both

those niches since they are employment-intensive industries."

Dave joined PS&F in 1992 from Marsh because he wanted to be with an agency that "understood the need for long-term relationships and looked beyond the next quarterly earnings report. The stability of relationships is very important and has led to a retention rate that has run above 95% for years."

*The PS&F account team meets with clients from the St. Elias Specialty Hospital. From left: Steve Brown, PS&F Vice President and Account Executive; Jennifer Schultz, PS&F Account Administrator; Chad Carpenter, CEO, St. Elias; Jana Smith, PS&F Vice President and Account Executive; and Joan Green, Director of QA/Risk Management, St. Elias.*



## Going the extra miles

"When I joined the firm, I was the fifth person in this office; now we have 19," Dave points out. "We have five producers and eight senior level account administrators with average experience exceeding 15 years. We strive to hire bright, energetic support staff who are looking for a career in the industry and can take advantage of working alongside such an experienced group of mentors. We have a claims executive in-house who works with clients on bigger picture issues such as experience modification projections and claims trend analyses, as well as specific case management issues including determining the cost effectiveness of light duty or vocational rehab programs.

"And we actually do sit down with our clients to accomplish these tasks, and here in Alaska that really means going the extra mile or, more correctly, miles. You can drive 800 miles in one direction and still be in the state. To visit a client in



*The Space Needle is one of Seattle's landmarks and one of PS&F's clients. Here, the PS&F account team meets with clients from the Space Needle and enjoys the beautiful 360-degree view of the Seattle environs that can be seen from the top of the Needle. From left: Jeane Maurer, PS&F Account Executive; Shirley Guthrie, Director Human Resources, Space Needle; Peter Beck, Chief Financial Officer, Space Needle; Dawn Anderson, Controller, Space Needle; Sally Borte, PS&F Account Executive-Employee Benefits; and Geoff Jolly, PS&F Account Manager.*

Ketchikan is a five-hour trip by air. But that is not an impediment. Rather, we see it as an opportunity to differentiate ourselves.

"Many of our new clients came to us thanks to recommendations from current clients because we actually show up at their businesses and take the time to keep ourselves apprised of the issues they are facing. Our clinical risk manager is based in our Bellevue office, but she travels throughout Alaska on a regular basis to consult with and provide education to our health care clients," Dave says.

For the construction niche, Parker, Smith & Feek has two construction risk specialists on staff who will help clients with bid review and contract requirements and assist

with project-specific insurance placements. They also are very involved with the local contractors associations. "We provide internal and external education so our employees and our clients better understand insurance and risk management," Dave notes.

"Our director of education and training provides Insurance 101 and 102 classes for employees and clients. He also will work with clients to craft an individualized course for employees. One client recently sent 16 people to one of our classes, including their entire accounting and estimating departments. That course discussed indemnification through contracts, audit procedures and the impact of

written sub-contracts. This all ties back to our having the expertise in-house and then deploying it effectively so that our clients get to experience a deep relationship with our people.

"When it's all said and done," Dave concludes, "it really is that personal relationship that cements the deal."

## Technology helps bridge the distances

The agency also spent a great deal of time and talent on developing a technology platform that would respond to the needs of clients, insurers and employees. "We recognized that technology needed to play an important role in our agency if we were going to meet the needs of our growing clientele in the technology arena as well as our more traditional clients," Greg says. "It also would allow us to communicate almost instantaneously with clients around the globe," he adds. "We have clients that do business in every region of the United States and on five continents. Thanks to our technology platform and our membership in Assurex Global, we are able to serve those clients seamlessly."

The IT platform was developed by the chief information officer, who joined the firm in 1999. It provides clients with direct access to their information on a 24/7 basis.

The Assurex Global connection means that clients with operations in other countries "are working with the leading local brokers who have the same philosophy of service that we do," Greg says.

Parker, Smith & Feek, Inc., has developed a unique model for compensating employees that exemplifies another strength of the independent agency system—it is a system where entrepreneurs develop a variety of ways to reach similar goals and others can learn from both their successes and their failures. By all accounts, this is one of the real successes. Greg reports that he regularly is asked by other agency principals about the PS&F compensation system.

He also notes that the method has been especially attractive to young people who are considering a career in insurance. With Baby Boomers reaching retirement age in record numbers, adding young talent to the insurance industry is critical. PS&F seems to have come up with one answer to this problem. We at *Rough Notes* are pleased to recognize Parker, Smith & Feek as our Marketing Agency of the Month. n

*"The end game in this business is to be in the best position to attract and retain great people."*

—Greg Collins  
President and Chief Executive Officer  
Parker, Smith & Feek, Inc.



Photograph by Mindy K. Riley