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Focus On Risk Consulting, Tech Innovations Help Parker, Smith & Feek Shine

“Advice not price” is the mantra of the company—which also stands out with its no-commission compensation structure

BY MARK E. RUQUET

WHILE SOME agencies have only recently come to embrace the idea of being a risk consultant for their clients, the concept is nothing new for the agency Parker, Smith & Feek.

“We have always taken the approach that we are a consulting operation not a sales operation,” says Gregory Collins, president and CEO of the Bellevue, Wash.-based firm, founded in 1937.

This consulting focus is reinforced by the firm’s compensation structure. “Our employees are owners and do not work on commission,” Collins notes. “They support the concept that we are selling consulting services to clients and not selling them a policy. Lowering client cost and improving risk-management operations is our aim.”

This approach to its business is paying off: Through all the trauma of the past de-

cade, the firm has more than doubled its revenues—virtually all organically.

For this attention to risk consulting and its ability to translate that into a profitable and healthy enterprise, Parker, Smith & Feek (PS&F) is our 2011 winner of the Agency of the Year Award.



Photo by Tim Aquero Photography



COMMERCIAL AGENCY OF THE YEAR AWARD



► **PARKER, SMITH & FEEK** employee-owners gather in front of their Bellevue, Wash. headquarters. Pictured are: (front center) Susan Stead; (first step l-r) Jim Hamlin, Gary Grosenick, Greg Collins, Ed Rhone; (second step l-r) Marty Bask, Shelley Cardiel, Herb Van Der Veer; (top step l-r) Mike Woltersdorf, Kevin Norris, Steve Wolf, Dwight Jarvis.

ADVICE—NOT PRICE—KEY TO KEEPING, ATTRACTING CLIENTS

Focusing on advice not price, Collins says, is the key to the success of the firm, which insures clients on six continents. Creating solutions for their client's problems by lowering their cost of risk is a concept that is used not only to maintain the satisfaction of the firm's current roster of clients. The approach is also an important aspect of PS&F's marketing efforts for new business.

The firm identifies the solutions that its existing clients value and then approaches a prospective client with the offer to do the same for them. It helps that the firm has three full-time risk-control specialists, who are "front and center" at new business presentations, Collins says.

Collins adds that in the current business environment, problems that one business faces will have similarities to another.

"What has helped one business be successful may help another," he says.

This approach has helped the firm secure as clients 10 of the 30 largest privately held companies in Washington.

"Our ultimate goal is to build a relationship that positions us as a trusted advisor not just in risk management—but in other strategic organizational and management issues as well."

CORE VALUES & CONTINGENT COMMISSIONS

One major reason for the firm's success, says Collins, is that "our business operations are always in alignment with our core values"—and these values empower every employee to do what they need to do for the firm's clients in solving their issues.

One example of how this philosophy has benefited the firm is how it escaped unscathed from the contingency-fee scandal that rocked the industry in 2004.

Then-New York Attorney General Eliot Spitzer accused three major brokerage firms—Aon, Marsh and Willis—of a bid-rigging and kick-back scheme with a number of insurance carriers. Brokers were accused of steering insurance contracts to individual carriers in exchange for lucrative contingent commissions.

AGENCY OF THE YEAR



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CHAMPION AT A GLANCE

Parker, Smith & Feek

- **Entering Principal:** Gregory Collins, president & CEO
- **Headquarters:** Bellevue, Wash.
- **Website:** www.psfinc.com
- **Principals:** 22
- **Employees:** 185
- **Commercial-Lines Producers:** 26
- **Commercial-Lines Premium Volume:**
 - 2008: \$177,270,000
 - 2009: \$198,230,000
 - 2010: \$186,000,000
- **P&C Commercial Income:**
 - 2008: \$21,270,000
 - 2009: \$23,923,000
 - 2010: \$22,935,000

Attorneys general in other states launched their own investigations at the time to determine if there were similar violations occurring at other brokerages.

But because PS&F producers receive salary instead of commissions, they had zero incentive to steer clients to any carrier except those with the best coverage for their clients.

Indeed, the firm had to educate account teams about its contingent arrangements so they would be able to explain to clients how the firm managed its carrier profit-sharing agreements and illustrate how it had no influence on producer's recommendations.

Another advantage of an all-salaried staff is that it eliminates the competition for credit or splits that are common at commission-based brokerages.

And the firm can bring together a collection of staff members—experts in claims, loss control and contract review—making them readily available to clients without "charging back" to an account team.

This team-driven approach is an im-

portant part of how the firm handles clients and helps set PS&F apart. The teams are organized around specific industries (construction, marine, forest products, life sciences, etc.) and are cross-disciplinary in that they bring together producers with technical specialists in commercial insurance, employee benefits and surety.

"Our clients become accounts of our firm—not of an individual producer," says Collins. The advantage to that is when the producer who secured the business moves on, either from promotion or retirement, the client remains. As proof that this approach works, PS&F maintains an average retention rate of 96 percent.

SEEKS CLIENTS THAT CAN'T AFFORD CHEAP INSURANCE

Not every prospect is a good business partner for PS&F, Collins says. Clients seeking the lowest price for their insurance placement do not fit with the culture the firm promotes.

"We are not a good commodity broker," he says. "We work to lower the overall cost of risk. What our clients say they have discovered is that they are not in a position to afford cheap insurance. Our culture simply doesn't support policy peddlers."

The current soft market, Collins says, has meant reduced insurance premiums for everyone, giving clients "immediate, potentially short-term solutions to reducing their costs."

But Collins believes PS&F's value prop-

osition comes from helping clients reduce the cost of risk in any market and at a strategic level. And it does this by establishing long-term relationships with clients and "continually exploring ways to reduce their cost of risk."

For example, "when the insurance market is hard and rates are high, we help make the tough decisions on limits or deductibles in their coverage lines," says Collins. The aim is to give clients "the tools and guidance to maximize the effec-



► **PARKER, SMITH & FEEK** employee-owners based in Anchorage, Alaska. Pictured l-r: Dave Eckroth, Jana Smith and Lynne Seville.

tiveness of their loss-prevention and safety programs."

LINKING UP

On the technology front, PS&F shows its innovative streak with a proprietary suite of software it developed internally, building on an agency-management software system. They did so because what is on the open market "is not good enough for us,"

Collins points out.

Having a highly efficient IT system is of extra importance for an agency located in Bellevue—a region with numerous leading-edge technology companies that expect their third party to be as sophisticated as they are.

With PS&F's "DigitaLINK" product, clients can request certificates of insurance, report a loss, collaborate on documents with their account-service reps, send secure e-mails to anyone on the account team, review their policies and track the progress of joint projects.

Policies are provisionally posted on DigitaLINK as soon as received so clients have immediate access to the (unchecked) policy; clients are then notified when the full review process by PS&F has been completed (see sidebar).

PS&F is also proud of its MarketLINK system that handles all communication with underwriters electronically and has the advantage of letting the sender know when the file has been opened or not. That allows for more effective follow-up, says Collins. It also creates a database of information that clients can update easily the following year during policy renewal.

Other proprietary programs include FileLINK, which allows large data files to be securely sent over the internet. PS&F's latest program is CertLINK, which speeds the creation and issuance of certificates of insurance.

For these efforts, PS&F wins the "Technology" category of the awards, in addition to being named "Agency of the Year."

CLIENT & COMMUNITY OUTREACH

As part of its services, PS&F conducts education seminars in the basics of insurance for its clients. The instruction is offered quarterly to clients in Bellevue and annually to those in its Anchorage, Alaska office.

Insurance 101 is an introductory course, while 102 builds on the earlier knowledge and introduces more sophisticated concepts. The firm is planning a session which will focus on managing cyber liability and recently held one on earthquake risks in the Northwest.

In fact, the company places such an

Private Ownership, Assurex Provide Notable Advantages

AS A PRIVATELY HELD brokerage with 185 employees, Parker Smith & Feek (PS&F) does not have the quarterly profit pressures faced by its publicly traded competitors—giving it, says Gregory Collins, president and CEO of the firm, flexibility and the ability to think in the long-term interests of its clients.

For example, even though the economy "has given us a real challenge," Collins says, PS&F has been "unwilling to reduce our staff

of talented, experienced professionals who generate the very advice and counsel we see as our number-one client-valued advantage."

PS&F also benefits from membership in Assurex Global, the Columbus, Ohio-based brokerage network of international brokers that he says gave the firm avenues to contacts and advisors that have been instrumental to its continued growth.

"We could not do it without them," Collins says. ■

COMMERCIAL AGENCY OF THE YEAR AWARD

emphasis on training for both clients and staff that it employs a full-time trainer with more than 30 years of insurance-industry experience.

Then there is PS&F's community involvement. Collins says the firm has a "strong commitment to the Puget Sound area." The firm encourages employees to get involved on executive boards and to contribute to and be a part of the community through charitable works.

For its community-service efforts, the firm was recognized by the Bellevue Chamber of Commerce as a 2011 Top Corporate Citizen, one of 10 businesses to

receive such an honor.

As for winning the Commercial Agency of the Year Award, Collins says it helps to justify the hard work many have put in during a difficult economic cycle that has witnessed some drop-off in revenues because insurance purchasing is down.

"We're very flattered by the recognition," says Collins. "We've weathered a lot of different storms. We do great work everyday. This is good timing—a reaffirmation of all that we do well and consistently within our organization. It is something to feel really good about in what is still a very, very tough time." ■

Speeding, Improving Policy Delivery

PARKER SMITH & Feek's (PS&F) performance standards specify that the time between the receipt of a client's policy from a carrier to the delivery to the insured should be no more than 45 days.

When a policy is received by PS&F, it is thoroughly checked to make sure the terms and conditions accurately reflect what was agreed at placement.

These audits often unearth critical errors—but the process was inefficient and, as a result, policies were not being delivered within the 45-day framework.

Clients understood the importance of the vetting—but said that if delivery times

could be improved, it would be a dramatic point of difference with the firm's competitive set.

So the firm embarked on an initiative to create a more efficient process, and it created new workflows, policy-checking templates and modified staff responsibilities, among other changes.

The outcome has been "extraordinary" says Gregory Collins, president and CEO of the firm. "Our new process has resulted in fully checked policies being in the client's hands in less than 15 days in many cases—and we have tweaked our error-catch rate to nearly 100 percent." ■

Case Study: Bridging The Gaps

PARKER, SMITH & Feek (PS&F) opened a dialogue with a large West Coast manufacturer whose principal plant is located just outside a high-hazard flood zone. The manufacturer faced several paramount flood issues.

First, the Army Corps of Engineers recommended decertification of the levees near the plant. This would leave it in a high-hazard zone. Second, the Army Corps of Engineers found breeches in the dam above the plant, further increasing the anxiety of many underwriters.

Despite spending several hundred thousand dollars to control the risk, coverage was still fragmented and expensive. The company had two towers of coverage, two different effective dates, placed with five different insurance companies over eight different policies. The fragmented structure led to gaps and overlaps of coverage as well as administrative nightmares. To make matters worse, a careful review of their property exposures revealed that they were woefully underinsured.

PS&F engaged its risk-control engineer, Mike Woltersdorf, on the project. After meeting with the client, Woltersdorf developed loss-control reports that explained the exposures and the controls the client had implemented to help mitigate a flood loss. These included flood-emergency response plans, construction of berms, and back-flow valves for water and sewer supplies. Woltersdorf also mapped the flood zones and utilized reports from outside consultants to better define the exposure as well as the flood levels that would be required before the client's location would be affected.

PS&F used the reports as well as meetings with underwriters and the client to create greater understanding of the exposures.

In the end, PS&F was able to consolidate the insured's program to one tower of insurance with a common expiration and a single effective date. It increased values by more than 60 percent, spread larger flood and earthquake limits to all of their buildings, vastly increased their coverage for ordinary payroll—and were still able to lower the insured's property premiums. ■



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