



Poor Retention is Not a Problem

OK. No one likes their retention to be poor. But the truth is that poor retention is a symptom, not a problem. It's tempting to point the finger at large rate increases as the culprit, but that's not usually the case. If new agents are writing new business, you can be pretty certain that rates aren't the driving force behind retention challenges for an established agent or advisor.

More often than not, the underlying problem causing poor retention is either a lack of relationship between the agent/advisor and the client, or the type of "client" the agent has in his or her book of business. I put the term "client" in quotes because often the type of policyholder who causes retention issues is more like a customer – someone who just conducts transactions. A customer is not usually thought of as someone with whom you have a relationship. In this article we'll address the client/customer issue and save the relationship issue for another time.

If having customers causes retention challenges and having clients improves retention, then it begs the question, "How does one fill their practice with clients rather than "clients" (customers)? To answer that, we first need to understand how we ended up with customers instead of clients in the first place. We generally end up with customers when we acquire prospects through passive methods rather than active ones. One of the popular passive methods is to find prospects through the internet – buying internet leads. Let's start by examining the nature of those leads. The first question to ask is, "Are people who request a quote over the internet looking to purchase insurance?" The answer to that is "maybe". One would think that if someone completed a request for a quote form they were serious about buying a new policy. The truth is that often people are just checking to see whether their current premium is competitive. Essentially they're just using your knowledge and your time to do a little research and/or to "negotiate" with their current agent/advisor. But let's say that they are, in fact, serious about making a change in their coverage. There is only one reason someone like that would chose to do business with you. Price. The only dynamic in their decision is price. You could argue that the reputation of the underwriting company plays a role, but most people aren't savvy enough to understand the differences between companies – especially if it's a company they've heard of or "think" they've heard of. The decision all comes down to price. And if you're "lucky" enough to get them as a "client", guess what happens when renewal time rolls around? You got it. They go through the same process all over again.

Now, let's say that instead of relying on internet leads, we use a different passive method. We choose, instead, to rely on an ad in the yellow pages or the newspaper. The good news is that someone who calls you from a yellow page ad is more likely to be serious about changing their coverage. That's a good thing. And placing an ad allows you to provide some information to entice prospects to call. The only problem is that most agents/advisors don't know how to create an effective ad. If you don't believe me,



just open up the yellow pages and look through the ads under “Insurance” (or whatever heading you’d be listed under). THEY’RE ALL THE SAME! Almost all ads are “vanilla” and ineffective. When faced with page after page of the same ad with different company names, how does a prospect decide who to do business with? Generally, they call up several of them, get some quotes, and go with the lowest one. Guess what happens when renewal time rolls around? You got it. Chances are they’ll go through the same process all over again. Once again, the only dynamic at play is price.

Allow me to offer an example to further make my case. Let me relate the experience of an agent who came to me for help a year or two ago. This agent is a P&C agent. He explained that he was writing 900 new policies a year! (Which is an extraordinarily high number.) However, he was realizing a net growth of only 100 policies a year in his business! (Another extraordinary result, given the amount of business he was writing.) Naturally I asked him how he was getting his policyholders – but his answer didn’t surprise me. Yellow Pages. He was living the experience I described above. The bottom line is: If you’re attracting policyholders through passive methods like the ones we just discussed, then you’re very likely to have your book of business filled with customers rather than true clients.

Let’s turn our attention now to how to attract real clients – clients who will stay with you, place more than one or maybe two policies with you, and even refer others to you. There are many ways to accomplish this. The key is to take the focus off of price and place it onto you! We don’t have the ability to fully develop this principle in this article, but I can share the methods that work with you. Here is a list of the eight methods that, if executed properly, will take the focus off of price, place the emphasis on you, and attract the kind of prospects who become true clients. The best ways to attract the best prospects are:

- * Cold Calling (believe it or not, this works great when done right)
- * Curiosity Conversations (talking to people actually works when you don’t sound like a telemarketer!)
- * Effective Networking (as long as you don’t use a “30-second Elevator Speech”)
- * Direct Mail (but don’t use your company’s literature)
- * Client Referrals (yes, it IS possible to get them)
- * Public Speaking (the secret is that you shouldn’t talk about insurance!)
- * Niche Development (even if you can work with anyone and everyone)
- * Centers of Influence (I know,... most agents don’t get enough referrals, but there are 3 reasons why)

If you can master just a couple of these prospect-generating methods, you can sustain continued growth in your business and attain a rate of retention in excess of 90%.