

# **A NEW BUSINESS MODEL FOR P&C INSURANCE AGENCIES**

Developed by:

**Paulmar Group, LLC**

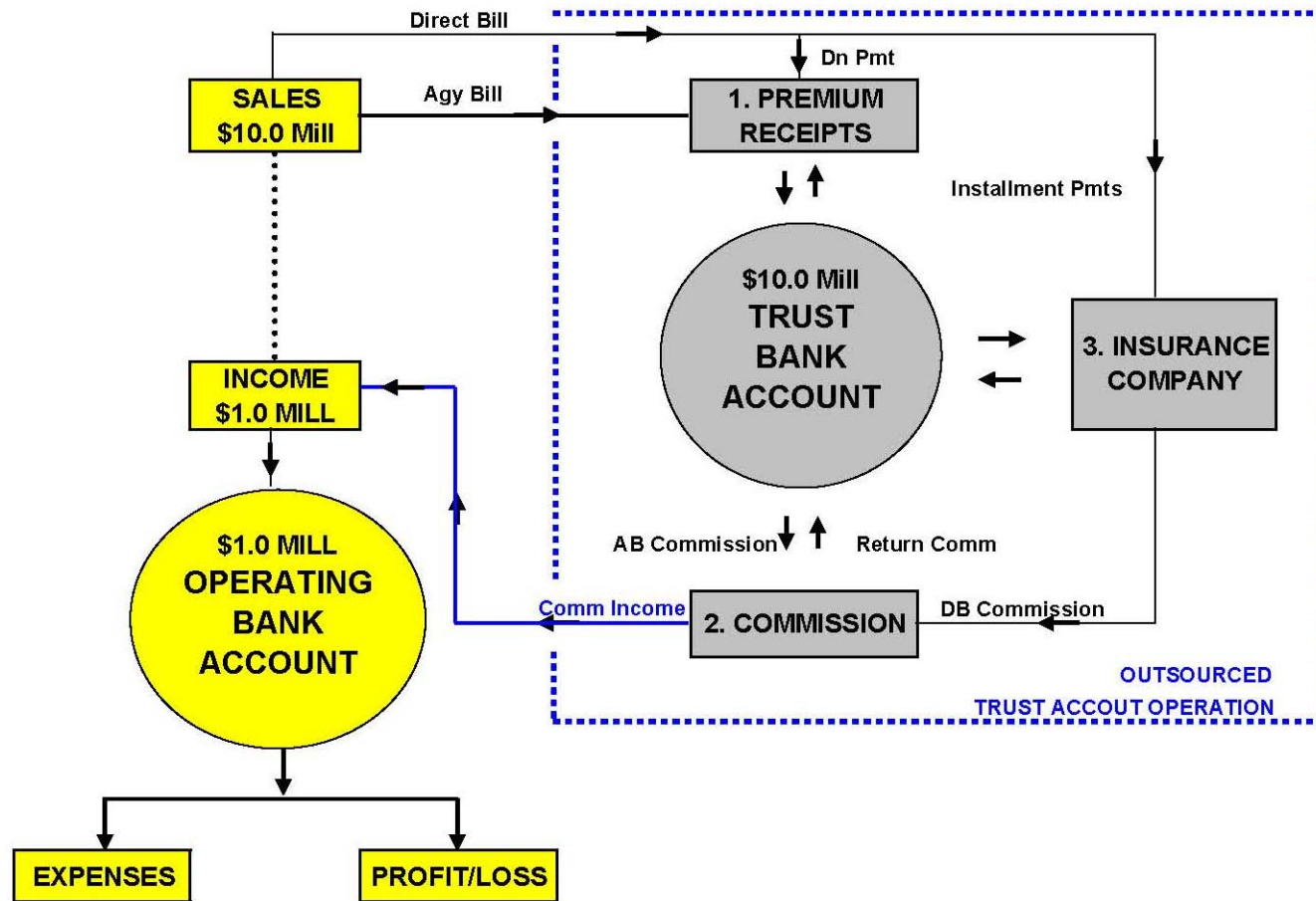
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# **NEW BUSINESS MODEL: WHY DO AGENCIES NEED IT?**

- Separate Sales & Service Management From Premium Management
- Automate & Outsource Premium Management
- Achieve Full Control Over All Premium & Return Premium Transactions
- Remove CSRs & Producers From Invoice & Follow up Process
- Render Agency More Productive & More Efficient (Refer to Next Slide Schematic)





STANDARD BUSINESS OPERATION

## PAULMAR BUSINESS MODEL FOR P&C INSURANCE AGENCY

OUTSOURCE TA OPERATION - RUN A STANDARD SALES & SERVICE OPERATION

PERFORM LIKE A DB OPERATION WITH ALL AB OPERATION BENEFITS

Note: The \$10 million sales and \$1 million commission are used for illustration purpose only.

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# PREMIUM MGMT SEPARATION: WHY IS NECESSARY?

- Different Objective, Different Mgmt Tools
- Premium Mgmt Is Money Mgmt Governed by Different Laws:
  - Fiduciary Laws: Agent Becomes Custodian
  - Insurance Code & Solvency Mandates
  - Premium Float Integrity
- Business Operating Funds Are Governed by Financial Solvency Requirements & Tax Code



# **PREMIUM MGMT AUTOMATION: WHY IS ESSENTIAL?**

- Achieve Accuracy and Reliability of Data
- Eliminate Human Error
- Report Policy Financial Status
- Reduce Operating Costs
  - Manual Spreadsheets Are Cost-Prohibitive
- Report Trust Funds Financial Solvency
  - Solvency is Broker's Personal Responsibility



# PREMIUM MGMT OUTSOURCING: WHY IS NECESSARY?

- TA Technology is Available Through Outsourcing Only
- TA Operation is Complex, Requires Training
- Agy Personnel Training is Inefficient and Unreliable
- Outsourcing Partner Assumes Responsibility for TA Management
- TA Service is Provided by Trained Professionals
- Outsourcing Cost is a Fraction of In-House Costs

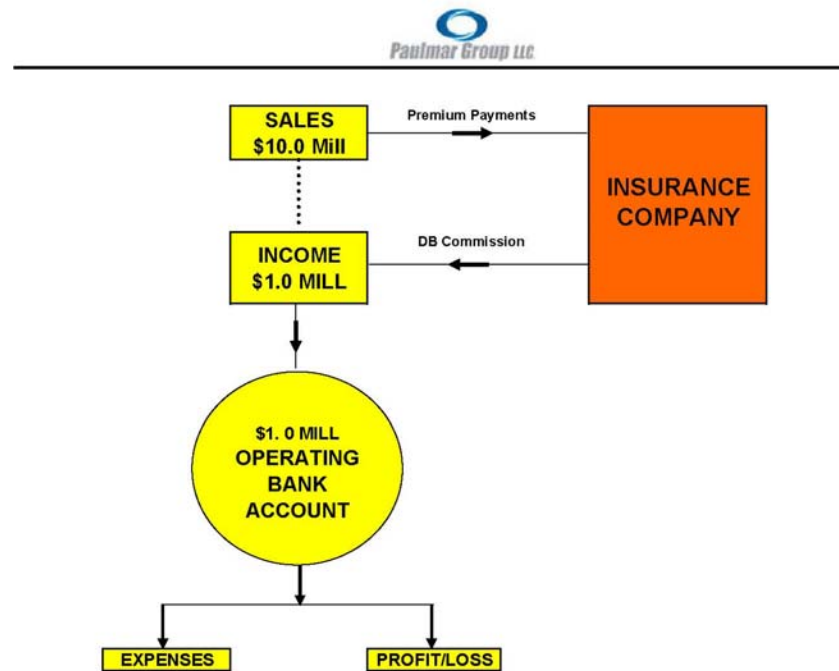


# **OUTSOURCING CONCEPT: IS IT NEW TO INSURANCE?**

- No, Agencies Outsource Frequently Payroll, Marketing
- Outsourcing Concept is Used Throughout Insurance Industry: Invoice or Claims Services
- Non-Core Business Outsourcing is the Way of the Future
- DB Operation is a Form of Premium Management Outsourcing (see next slide)



# DIRECT BILL OPERATION MODEL



## AGENCY DIRECT BILL OPERATION MODEL

Sell \$10.0 Million - Receive \$1.0 Million Commission From Carriers

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# DB OPERATION: WHY DO AGENCY CHOOSE IT?

- Avoid Premium Management Liabilities
- Agency Sells Policies - Carriers Manage Premiums and Commissions
- Disadvantages:
  - Wait 60 Days for DB Commission
  - Lose Contact with Clients
  - Lower Commission Rates



# **STANDARD SALES & SERVICE: NEW MODEL IS SIMILAR**

- New Model Excludes Premium Mgmt
- Agencies Benefit From Both Agency-Bill & Direct-Bill Operation Advantages
- CSRs Have More Time to Service, Support Producers & Cross-Market
- Producers Are No Longer Threatened by Delinquent Payments, Are Free to Focus on Sales



# **NEW BUSINESS MODEL: NEW MANAGEMENT TOOLS**

- New Trust Ledger Accounting
- Separate Ledger of Accounts
- Separate Premium Financial Statements
- Complete Automation of Trust Account Mgmt Process
- Powerful Software Application
- TA Remote Service Technology



# TRUST MGMT OUTSOURCING: HOW DOES IT WORK?

- Software Application is Installed on Agency Computer
- A TA Folder is Saved on Agency Computer
- CSRs & Bookkeepers Save Source Docs in TA Folder
- Service Provider (SP) Remotely Accesses TA Folder to Create Data Records & Execute Management Functions
- Agency Interfaces with SP as Necessary to Retain Full Control Over TA Mgmt Process



# NEW BUSINESS MODEL IMPLEMENTATION

- Service is Gradually Implemented with New Business & Renewals
- A Transition Period to Service Full Implementation is Necessary
- During Transition Agency Manages In-Force Policies Using Current Procedures
- Service Provider Has Access Only to TA Folder
- Service Provider Is Remotely Located



# COST OF OUTSOURCING

- TA Service Fee is **Usage** Fee/Policy/Term
- No Initial Investment Is Required
- Minimal Fee for Software Installation & Startup
- Outsourcing Is a **No-Cost Service**. Fees Will Be Recovered by Agency From:
  - Operating (Payroll) Cost Savings
  - Total Elimination of Bad Debts
  - Interest on Add'l Premium Float
- Policy Fees Vary Based on Type of Policy



# ARE YOU AN AMS OR APPLIED SYSTEM USER?

- Continue to Use AMS/Applied Systems for Policy Management Functions
- Outsource Premium Management
- Provide Source Documents to Service Provider
- Periodically Interface With Service Provider to Maintain Control Over Management Process
- Use New Production & Financial Reports to Improve Agency Management
- Focus on Marketing, Sales & Service
- Enjoy Service Financial Benefits

