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INSURANCE OUTSOURCING:

ReSource Pro

Introduces
Agents to
“Staffers”

in China



Dan Epstein
CEO, ReSource Pro

China Summit for Agency Operations, a Success: *ReSource Pro Spurs Agency Innovation Through Creative Outsourcing*

“**O**utsourcing” is an emotion-stirring term in the U.S. these days particularly as unemployment mounts. The word has become linked to “job loss,” and “cheap labor abroad.”

Yet, in the land of small to mid-size wholesalers and retail insurance agencies, one outsourcing provider—surprisingly—has found its niche, and is turning that dirty word into one synonymous with growth through collaboration and innovation within the agency structure.

Manhattan-headquartered ReSource Pro was founded in 2003, as a result of a processing crisis at its parent company—a program administrator whose insurance market went bankrupt leaving them with 13,000 policies that needed rewriting to a new carrier within 10 weeks. Today, RESOURCE PRO has 60 clients made up of managing general agents, insurance program administrators, brokers and agents who do not want to “get rid” of current staff, but to better utilize them to improve their financial performance and stay focused on customers and on expansion.

At the outset, there was much apprehension in agency and brokerage ranks about working with an outsourcing firm, but as the word spread industry innovators began to notice that, not only was no one being fired, but their prospects for career development were improved, as routine processing workloads were slashed, client time doubled, and, owing to RESOURCE PRO staff fewer daily distractions in the way of high quality delivery.

Recognizing this as a leading edge trend, a number of RESOURCE PRO clients recently invested in roundtrip tickets to China to meet their China-based team members and begin to take the process to its next levels.

Roadtrip to China? Not quite.

In addition to the opportunity to bring together colleagues based thousands of miles and cultures apart, RESOURCE PRO Chief Executive Officer Dan Epstein wanted to gather insurance industry thought leaders to explore a vision for “Best-in-Class Agency 2015” as part of an Innovation Summit held during the last week in October.

The company worked with FutureThink, an innovation research and consulting firm, to create a program that would enable ReSource Pro clients to identify roadblocks that hinder innovation, and create practical solutions. To maintain a long-





DAN EPSTEIN, CEO, RESOURCE PRO

term focus on innovation, ReSource Pro is in the process of forming an “Innovation Advisory Board,” a direct result of the Summit that took place in Qingdao, China.

“We have stressed innovation in the services we bring to clients, and we want to seize the opportunity to push the entire industry to do things more effectively in the future,” said Dan Epstein, CEO of ReSource Pro. “The ideas generated during the conference will benefit our clients and the industry as a whole, and the advisory board will ensure we maintain our momentum,” he added.

One of ReSource Pro’s challenges will be meeting the ever-expanding demands and innovative concepts of its insurance clients. Epstein said he expects the company to double in size in 2009, but that the challenge is not merely to manage scale but rather complexity, as ReSource Pro goes deeper in its niche domain expertise. ReSource Pro provides customized insurance processing solutions from policy checking and loss summaries to billing, certificate issuance, bill reconciliation and claims reporting. By performing routine processing tasks, the company helps its clients reduce their operating expenses and focus their production and underwriting staff on higher value areas, such as new accounts and customer service. While providing these services, the Company adds value for clients as ReSource Pro continues to develop expertise in quality assurance, productivity optimization, learning and development, talent management, software development and network infrastruc-

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-Dan Epstein, CEO, ReSource Pro

ture. “And we have to do all of these things well while providing a great working environment and career opportunities for our employees,” says Epstein.

ReSource Pro depends upon the success and teamwork of its people, who face the careful scrutiny of insurance professionals here who know the systems and services that the Company provides quite well and who are protective—understandably—of their clients’ well being. “Our clients are demanding and hold us to a high standard, but we respect that and appreciate the kind of agent or broker who shares our goals for service and expansion through excellence in delivery,” Mr. Epstein stated.

ReSource Pro surveyed clients and found what it describes as “great for the company and the concept, once users get over the natural initial

hesitancy:

“How can I bring back to our firm the working approach and attitude of our ‘staff’ here,” said Roxy F. Sora, Chief Commercial Operations Officer of Seitlin Corp., right after the 8-hr. summit ended. “I was floored by ReSource Pro’s philosophy about their people. They really are their greatest asset. In talking to the teams, they reflect to us that they are important to ReSource Pro and to its future.”

And, as if to underscore her sentiment, she told me, “We’ve moved 53 tasks over to ReSource Pro,” in the process upping her ReSource Pro team from 2 to 5, “and we keep finding more tasks to offload.”

Getting down to brass tacks, ReSource Pro’s services are not

free, but they do promise to cut costs, and increase productivity. Sheila Kenyon, SVP of J. Rolfe Davis Insurance, describes herself as another relieved and impressed client. “When we began working with ReSource Pro, our backlog of policies to be checked was 780 – it is now 138,” Kenyon said. “We have added additional tasks – Workers Comp reports prepared in China that have enabled us to train the staff that previously prepared these reports on client-related tasks.”

Innovation Summit?

The ReSource Pro-hosted Summit was moderated by innovation expert, Lisa Bodell of New York-City-based FutureThink, to explore agency innovation in the face of a changing industry.

Going to China for the Summit was just another way to distance themselves from the competition, several attendees said.

“What we’re able to accomplish with ReSource Pro gives us a leg up on competition,” said TCOR Insurance Management Managing Partner Rick Dudney. “The efficiencies and increased profit margins allow us to reinvest resources into areas where we can bring value through expertise and specialization, rather than trying to be all things to all people and handle all tasks. Let ReSource Pro handle the back office and we’ll focus on customer interface and professional expertise.”

Over the course of eight hours, teams from six retail and eight wholesale agencies brainstormed their vision of the “break-through agency” and how to reinvent themselves as trusted advisors in the industry.

One attendee said the timing of the summit was perfect as his agency was going through its own internal planning session for 2015 initiatives.

Discussion included retail and wholesale agency business models, technology and automation, and the optimal deployment of personnel.

Summit attendees specifically identified continued commoditization of certain lines of business, such as personal lines, as well as a tendency towards greater specialization in more complex risk classes. Many attendees challenged the current retail agency business model, asserting that agency clients do not truly understand their value proposition.

In response to this challenge, conference attendees saw the retail sector moving toward more specialized business services that focus on risk management and more sophisticated analysis and use of online data, in addition to market selection and providing appropriate insurance coverages. Both wholesale and retail agency managers stressed the importance of focusing on business core competencies, developing new paths for talent development,

“One of the key concepts I took away from this summit is to prepare and plan beyond the short-term. Think openly; think outside of the box going forward”

- Diana Kiehl, Alliant

and outsourcing non-core activities to drive performance and competitiveness.

Blocking and tackling

Several barriers were discussed, and the exercises were all geared toward breaking those down. A company should identify 3 road-blocks:

1. Processes and resources you could change or eliminate
2. Policies that could work better, or be done more efficiently
3. Attitudes and habits that stand in the way of progress

The 65 participants of the conference, were broken up into teams. Six common agency challenges surfaced.

- Poor communication within the agency, too much reliance on email
- Lack of resources and focus for training agency employees
- Generation gaps— both inside and outside the agency
- Resistance to change/coasting among management and staff
- Systems issues
- Failure to maximize the productivity of existing employees

Bodell said that all agreed the easiest things to change would be “communication” and “our own behavior (i.e. resistance to change).” Making those changes can be painful but worthwhile. One CEO at a specialty insurance brokerage and risk management organization with over 150 employees said: “At first it will feel like you are losing ground, but you’re really learning how to win in a new area.”

“One of the key concepts I took away from this summit is to prepare and plan beyond the short-term. Think openly; think outside of the box going forward,” said Diana Kiehl of California-based agency, Alliant.

What will Agency 2015 Look Like? The Summit Speaks:

1. Use of best practice, strategic partners to assist with non-core activities like back-of-house processing.
2. Increased data transparency and data accessibility; increased implementation of SEMCI.
3. Agency commoditization and specialization— Starting with point of view of what value is.
4. Agency will provide consultative services; move market in the direction that provides a better for consulting, versus remaining standard agents.
i.e. Professionals that can speak to CEO on their level.
5. Cultivate the art of *not* competing— move out of the ‘agency’ business and towards the art of not competing.

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6. Clients looking for more than product portion; they want a trusted advisor. They are not necessarily interested in where services are outsourced or where staff is located; they just want work done accurately and on time.
7. Data will no longer be something on which businesses can capitalize—everyone will have access to it. Loss data will be available to everyone. Insurance companies will no longer work in that context.
i.e. What used to be powerful is no longer powerful.
8. Agency will become coordinator of data and offer access to data that insured cannot get themselves; agencies to provide insured a portal through which they may have access to those types of access as well.
9. Relationships between retail and MGAs will be critical going forward. Everyone has useful critical contacts. It will be very important expand base of knowledge, contacts, whatever it takes to maximize the profit in those agencies.
10. Best-in-class partnerships will be necessary—bring core values to client (loss control, HR, etc.); collaborate with partners to do the rest most effectively.
11. Insurance agencies to become risk managers versus simply insurance sales.

One company embodying some of these changes is beginning to see the differences, such as 22-hour workdays (not his own), more time with clients and growth initiatives. Richard Augustyn, CEO of Woodbridge, N.J.-based NIP Group, a specialty insurance brokerage and risk management organization with over 150 employees, has been working with ReSource Pro for almost 4 years. Its business divisions include Programs, Group Captive, Wholesale and Specialty Retail. Augustyn said he first looked into remotely staff certain non-client facing activities in lower cost locations to reduce operating expenses, because global brokers

BELOW: PATRICIA CLEVINGER OF STOLTZ & CO. SPEAKS TO SUMMIT ATTENDEES



One of the Innovation Summit participants, “Patricia Clevenger of Stoltz & Co. composed the following poem, encompassing many of the event key takeaways of the summit:”

***To Summ-it Up**

**One time, two times, three times – then four
Technology demands that we enter it once more.**

**Preconception, misconception,
perceptions, in and out;
Bureaucracy, democracy- it makes
me want to shout!**

**Legacy, complacency, archaic status quo-
Resistance to a changing world
leaves us no place to go.**

**Attitude, latitude, platitudes abound.
How do we change unchanging rules
to find uncommon ground?**

**Alligators in the swamp can't see the light of day-
We've got to move to higher ground
to find a better way!**

**Collaboration, communication, utilization-
might overcome the mire;
Identification, standardization, no duplication-
keep reaching higher!**

**Externalize, internalize-
break the barriers in your mind.
Colored glass is only a pane until it is shattered
and redesigned.**

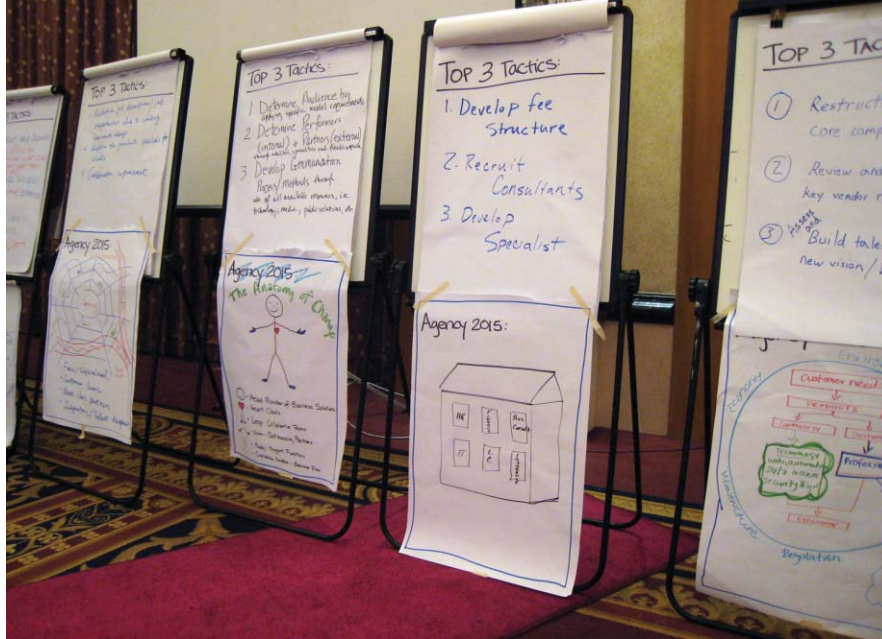
**No fear- no limits- absolutely no trepidation...
Just levitate and radiate and start that innovation!**

such as AON and Marsh have been outsourcing and moving work to lower cost locations for years.

“As you peel back the onion, you quickly discover that the true value to your agency is to transfer the non-core activities to a remote branch that has developed into a ‘Center of Excellence’ in efficiently and effectively performing these tasks,” Augustyn explained. “This results in a better process, higher quality work, and faster time service at lower costs. It’s a solution your CFO and CSR’s can wildly agree over—how often does that happen?”

The biggest change, he explained has been the ability to operate 22 hours a weekday.

“Just a few years ago I would have thought that was impossible. Due to some cost advantages we now better man-



age the seasonality of our business by remotely staffing to peak vs. average workforce levels.”

Another hidden benefit to NIP was providing faster time service to their clients.

“NIP’s culture is to avoid competing by constantly differentiating ourselves and today we are faster than many of our competitors and have freed up time for our key people to focus on client-facing activities and critical growth initiatives.”

Creating the Roadmap to Agency 2015

Bodell stressed in each part of the summit: Creativity is just the idea. Innovation does them. The Summit speaks: What it will take to shatter the industry and create Best-in-Class Agency 2015?

1. Determine the identity of the performer and how to maximize the development of that talent.
2. Determine core competencies of the company and decide what to outsource to strategic partners (i.e. specialization versus what is done better externally)
3. Acknowledgement of and commitment to the need for change in order to improve profitability.
4. Determination of client values; adopting the philosophy that if work is not performed based on a client value, it is not worth doing.
5. Performing client research — what is going to work and plot how to get there.

Innovation Advisory Group

It’s been more than two months since the Summit, and ReSource Pro Innovation Advisory Group (IAG) is in the

process of being formed, Epstein explained. There are nine members in a steering committee. Epstein said the body will include various types of clients (retail, wholesale, TPA, carriers, etc.) and outsiders with knowledge of the insurance industry, including academics and technologists.

IAG’s mission is to inform the development of new strategy and services to future planning, priorities and competitiveness of ReSource Pro clients and push the envelope on what is possible in the insurance industry.

When asked to wrap-up the summit, or talk about about IAG, Epstein at every turn puts the value on people. He’s even started something called ReSource Pro Academy, and learning and development initiative that will result in three schools being run in China: a school of insurance, of management and professional skills.

He enjoys talking about a key player in the founding of the company Matthew Bruno, who started the company with a few laptops and by recruiting some local college graduates to assist him in the original “Hail Mary” project he was working on for the parent company when their carrier went bankrupt: He was successful in helping them to cancel and rewrite 13,000 D&O policies in 3 months.

Epstein also loves business lingo like: “value streams”, “bottom-slicing”, “top-line growth”, “creating high-value”, “cost reduction”: “improving communications” and, of course, “core competency.” “These may sound like sound bytes but in thinking about these concepts, and better still, applying them, you’re innovating,” says Epstein, wrapping things up, “and that’s what it’s all about, driving success by implementing what is just lingo to other people.” [A]



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