Increasing Profitability through Strategic Diversification

Diversification is the key to maximizing profitability in today’s insurance market. The ability to present a comprehensive portfolio of solutions allows agents to establish a trusted advisor relationship with clients, so they will seek out the agent’s counsel when looking to resolve specific business challenges.

Agents who limit the scope of services they provide to just health, life or property and casualty also leave the door open for others to compete for the client’s attention and loyalty, not only eroding the client relationship, but leaving money on the table.

The state of the health insurance market is perhaps the best illustration of the importance of diversification. Even prior to the economic meltdown that hit its stride in mid-2008, rising premiums had many employers seeking ways to contain costs by scaling back coverage options, switching to lower-cost plans, shifting more of the burden to employees and even dropping health insurance altogether. In fact, employer-sponsored health insurance has been declining since 2001. In 2006, it had dropped below 60 percent.

Further, 20 percent of agents saw a decrease in sales of new health insurance policies in 2007, compared to an 8 percent decrease reported in 2006. Many attribute the decline to small businesses being forced by rising premiums to cut down or eliminate health insurance from employee benefits.

To counter declines in group coverage, savvy agents expanded their portfolios to include high-deductible and voluntary plans that allowed clients to beef up their employee benefits packages without adding to their overall costs. In 2008, 42 percent of agents reported sales of individual major medical polices that exceeded any other type.

However, for maximum impact, diversification must extend beyond product lines. Agents today must also expand their markets. It is no longer feasible to focus solely on small business or large group sales, for example. A diversified market mix is just as critical to success as a diversified portfolio.

Diversification can be an intimidating prospect, especially when it requires overcoming a steep learning curve to fully understand unique business challenges and the multitude of products that can overcome them. But it doesn’t have to be.

The key is to put the hard-sell and personal agendas on hold. Instead, agents should follow a proven process for opening a meaningful dialog to gain insight into the client’s specific needs. That process, when combined with establishing partnerships that provide access to expert resources and support, allows agents to accelerate the learning curve and efficiently expand their portfolio and client base.

Uncovering Overt and Covert Needs

The importance of diversification is not lost on agents. In fact, one study found that 99 percent of insurance advisors believe it is critical or very important to cross-sell effectively. The problem is that few believe they will be successful in doing so; just 46 percent of agents surveyed felt they were effective at cross-selling.

However, by following a process that is focused on establishing themselves a trusted advisor, an agent can ascertain the client’s needs, regardless of the type of business they are in. Further, by letting go of the
fear of not having an immediate answer, the agent is able to take the time to investigate potential solutions and return with a comprehensive “best-of-breed” proposal that delivers real value to the client.

Built upon the concept that selling is relationship building and consultation rather than quoting or one-off sales, the process can be broken down into four distinct, repeatable steps:

1. Properly opening sales calls in a way that establishes rapport and communicates immediately to the client, showing the agent understands that their time is valuable
2. Asking the right mix of open- and close-ended questions to gain a full understanding of their needs, including those the client may not be aware they have
3. Exploring opportunities to meet those needs, including clearly stating the benefits and value the client will realize from the products and services being recommended
4. Closing the call with clearly established next steps

Central to this process is posing the right questions in order to fully understand the client’s needs. This requires leaving personal agendas, such as a goal of selling a group medical plan, at the door and focusing instead on the client’s needs and expectations.

It also requires paying close attention to the “language of needs,” which can reveal opportunities to introduce new options or provide alternatives to the current situation. Be alert for the use of words like “need,” “want,” “desire,” and phrases such as “the business must,” “I’m concerned about,” and “we need to change.” These are verbal cues for an agent to probe more deeply into what the client is saying about their current situation that may offer opportunities for cross-selling.

For example, if a client says they need a new dental plan, the agent should hone in on the reasons behind that need. Is the current plan simply too expensive? Are they unhappy with the benefits? Are they concerned about something with the carrier? Or perhaps the real issue is that the premiums for their medical plan increased and the budget no longer exists to continue providing dental coverage under the same circumstances.

Unless an agent is attuned to the messages the client is sending, they will miss an opportunity to introduce a new dental plan or restructure their current benefits package in a way that meets the client’s needs and expectations.

Once the agent has a clear understanding of the client’s needs, the next step is to identify solutions. When the opportunity calls for a new product, this may involve setting a second meeting at which time the agent can present their suggestions for meeting those needs. When building a relationship, it is acceptable to walk away from the first meeting without making a sale. In fact, it is preferred, as doing so will give the agent time to compile a comprehensive, tailored solution.

Throughout the entire process, the agent should be:

- Checking for acceptance to ensure that the client remains engaged in the process, that the agent hasn’t missed any key concerns or hesitations, and that they have not gone down the wrong path by selling to a need or promising a solution that does not exist
- Acknowledging and addressing any concerns, including misunderstandings by the client regarding what the agent can or cannot offer, skepticisms about whether or not the products and/or agent can deliver upon the promised benefits, and drawbacks such as benefits that simply cannot be provided

The goal of this process is to instill in the client confidence that the agent respects their needs and will address them to the best of their ability. It is by establishing that level of trust and following through on the promises made that an agent can capitalize on opportunities to cross-sell into new markets.
Partnering for Effective Diversification

One of the greatest concerns agents have about diversification is the resources it can take to effectively advise their clients. It’s understandable. No one wants to be faced with a question they cannot immediately answer.

A second concern is that an agent will not be able to effectively support the new products they are offering when they do not have an intimate understanding of the nuances involved in back-office functions. Again, the concern is valid.

This is where partnering with a full-service organization comes into play.

The primary benefit of partnering with a full-service organization is the consultative support it can provide. With a single call, agents can access the expertise required to quickly and effectively evaluate their client’s needs based on factors such as demographics, case size, prior history etc., and then direct the client to a carrier that meet those requirements. They can also evaluate the strengths and weaknesses of each carrier and product against the client’s unique needs to ensure that the final proposal is an ideal fit.

Then, once the sale is made, the full-service provider will handle enrollment and underwriting, based on the individual carrier requirements, and manage billing, payment processing, customer service and support. This creates a competitive advantage for the agent by offering seamless support from the front-end to the back-end of the process. Along the way, it also helps the agent by simplifying the appointment process with multiple carriers.

Top tier service providers also do not vanish after the initial sale. They work with the agent through the life of a policy, including identifying opportunities to retain the client at renewal by adjusting plan designs or tweaking offerings to meet the changing needs of the group.

When evaluating a service provider to determine if they are truly a consultative, full-service organization that will provide the expertise and support needed to diversify their portfolios, agents should ask the following questions:

- Can the agent access a “live” person to discuss specific client needs?
- Does the organization provide consultative representatives or simply “quoters?”
- Are proposals being turned around in 24 hours?
- Does the organization provide services to the agent beyond sales support?
- Is the organization as focused on helping the agent retain business as it is on writing new business?
- Does the organization offer “street level” compensation (or the same level of compensation the agent would get by going directly to the carrier)?
- Does the organization offer “best-of-breed” carrier offerings for multiple product lines versus a carrier offering multiple lines of coverage?

Agents who partner with a truly consultative, full-service organization, and who follow a proven sales process focused on identifying their clients’ real needs and expectations, will quickly discover that diversification is far less daunting than if they were to go it alone.

About HealthPlan Services

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