

## Expanding Agency Operations Scope Includes E&O

The three primary agency management components—sales, financial and operations—began on fairly equal footing and remained relatively static over the years. However, the continuing expansion of the scope of agency operations has created the need to change this model to encompass operations management. The ability of most agencies to do this properly is hampered by important traditional factors and is adversely affecting an agency's ability to enhance the experience of their primary stakeholders: clients, carriers, employees, agency owners—and E&O carriers.

The quality of an agency's operational and financial management has become a primary differentiating factor separating extraordinary organizations from the also-rans. Sales have brought most a long way; but the scope of agency operations has grown to such a level that the need for global operations management, including accounting, is now crucial, regardless of agency size. The best tools and solutions are now available to large and small agencies alike.

Operations isn't just office management anymore. The need for consistent, written, continuously-audited procedures is a given. The remaining top components include the producer/owner business model; the expanding scope of technology; accounting challenges; redefining service; "resistance is futile" concept; paper usage; training and education; and ownership commitment.

The vast majority of agency owners are producers; few agency owners have global operational expertise, and most parcel out pieces of these important duties to multiple employees who lack the authority to truly execute. When there is no champion of operations, important components are not managed globally, under one skilled individual's authority. Not surprisingly, few agencies are leveraging all operational components for the best result, including service team management, agency-wide procedures, IT, accounting, administration and HR. Most agency owners need a bit of thinking outside the box to focus on what they do best and insist on operational effectiveness.

Continuously updating integrating technology and leveraging the resulting synergy takes a full-time commitment and understanding of MIS, document management, internal ancillary software, carrier systems and phone systems, to name just a few—all combined with insurance expertise. Most agencies continue to overlay old procedures on new technology, instead of continuously analyzing and insisting on gaining the maximum ROI (and measuring it) on their technology investments. Each additional layer of technology should eliminate a specific layer of non-technological procedures. This takes planning *and* an intimate knowledge of all processes to know what to add and what to eliminate. When change is optional, nothing ever changes, and processes actually become more complicated.

Which automation solutions are lying unused, underutilized, or haphazardly implemented, in your agency's technology toolbox? Which employees (or owners) have remained exempt from using those tools? And who is responsible for the full, proper implementation, training and integration of all agency technology, from a global operational standpoint?

The accounting functionality of the top MIS systems available to all agencies has made accounting a part-time job. Yet, even relatively small agencies have at least one person handling accounting. Depending upon the percentage of direct bill, even agencies with revenues in excess of \$5 million may not need full-time bookkeeping.

The issues can range from a general lack of understanding of insurance accounting and proper trust accounting, to embezzlement, particularly in remote office situations. Sadly, the lack of appropriate GAAP standards, checks and balances are common.

Network management can be effectively and professionally outsourced to agencies of all sizes and in all locations. This has evened the playing field for smaller agencies significantly. The cloud will undoubtedly take the place of competing, myriad online systems.

Operations managers must understand all software applications, and be accountable for analysis and auditing of solutions. The agencies that can leverage and protect their technology investment with the best global operations management have a clear advantage. **IA**

**Mary M. Eisenhart, CPCU**, is the owner of Eisenhart Consulting Group, Inc., specializing in providing management and operations consulting for insurance industry organizations.

## Accounting for It

True financial portfolio management aside, proper use of MIS accounting eliminates a great deal of the cost of accounting for insurance agencies. Outsourcing is an increasingly simple and viable solution, as long as the outsourced provider understands and is well-versed in insurance accounting practices.

The continuing practice of accepting interim direct bill cash and check payments is of particular concern. It is the rare E&O claim that does not have an accounting component at either a pure or service level. There is a very clear link between poor pay clients and E&O claims. Yet, agencies continue to serve as bill-paying centers for their direct bill clients—even as commissions continue to decrease, and expenses increase. This continued enablement detracts from the agency's ability to provide real service to clients. There are simple, effective steps available to stop these outmoded, expensive practices, and sweeping payments is not one of them.

—M.E.