

# IAA

INDEPENDENT AGENT

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## WHAT WORKS

BY PETER VAN AARTRIJK JR., CIC

# The New Mix

**CHALLENGE:** Attracting clients and employees to an upstart agency.  
**SOLUTION:** Combining marketing and technology.

When Tim Baxley and his business partner left their bank jobs in 1993 to start an independent agency, all they knew was that they wanted out.

"It was the best job I ever hated," says Baxley of his career as a banker. "I hated the corporate culture, the three-piece suits. Even though I had a secretary and a nice office, I hated going to work every morning."

So he and a buddy left the banking world to open an insurance agency—Statewide Insurance Group. But the two didn't even know what they didn't know about their new industry.

"We started out on our own, and that made all the difference," says Baxley, president & CEO of the South Carolina-based Statewide Insurance Group. "We didn't know the things that agents did and didn't do. We didn't know that agents weren't doing a lot of marketing and branding, that they weren't using technology. We had no preconceived notions."

Indeed, the insurance novices didn't even realize that carrier appointments are typically difficult to secure for a new agency—although they quickly landed Hartford and Travelers. "They planted early," Baxley says. "They did their due diligence, and in the end decided our plan was sound, if a little unorthodox. They're still two of our top carriers. We're very loyal."

### A Tech Focus

Sixteen years later, Baxley, now 44, is still excited about his career choice, even though his business partner returned to banking. "It's been wonderful, very rewarding," he says. And he's found the very things other agencies didn't seem focused on when he started out—aggressive marketing and technology—are at the core of his firm's success. As the economy takes a pounding, Statewide continues to experience significant growth—revenues for 2009 are expected to increase 50% since 2007.

"The biggest challenge facing us today is the shrinking economy and falling premium dollars," says Baxley. "Policy count is up, but average cost-per-policy is down. Our clients are reducing their payroll, resulting in lower policy premiums, some struggling to survive." This is a direct result of lower sales, fewer businesses opening and rising unemployment, he says. "We have seen several large companies file bankruptcy or close, as well as the trickle-down effect to the dependent businesses."

The solution for Statewide has been an aggressive use of technology, including thorough leveraging of its agency management system, AMS 360. "We are a

fully paperless office utilizing front-end scanning with a tightly linked office structure, allowing us to better—and faster—service our clients, whenever and wherever they need it," says Baxley.

"Our CSRs handle 25% more clients per account manager than the average agency, allowing us to still expand and retain, even in this shrinking economy," he adds. "Efficiency and technology have been the key in allowing us the agility to meet changing market conditions."

But this was not always the case. Until Statewide adopted AMS 360 Online in 2004, its staff struggled with its older, DOS-based agency management system. "We were down more than we were up," says Baxley. "After a while, the CSRs just couldn't work."

Fearing the agency would lose valuable employees, along with customers, Baxley opted for an online system. While the transition was time-consuming and expensive, Baxley sees it as the linchpin of his agency's growth. Statewide's numbers concur with a 25% increase in CSRs' account loads; doubled business between 2004 and 2007, with the addition of only two CSRs to handle the increase; a 27% increase in business in 2007; a six-point retention rate increase in 2007; an 80% reduction in the time it takes CSRs to get multiple quotes from carriers; and a reduction in endorsement processing from five days to one.

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### It's in the Data

The increase in new business and retention did not happen by simply signing on to the new system, of course. Statewide's team focuses relentlessly on mining the agency's database to increase penetration of existing customers.

"It's easy to identify monoline accounts and act on them," says Baxley. "We do very specific target marketing, very aggressive cross-sell campaigns."

The agency starts by targeting a specific customer, says Baxley. "We write their business, but not their personal lines. Or we have their home and auto, but not their boat."

The agency employees then use the system to exclude some factors (e.g., geography) before blasting an electronic campaign to the remaining prospects. The agency uses a variety of opportunities to touch customers, including birthday greetings, surveys and simple "hello" e-mails. All this electronic marketing is supplemented by traditional marketing, including print and radio advertising, billboards and volunteer work.

The efforts have been successful in adding business to clients. "And every

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### Coastal Life

**S**tatewide Insurance Group has done very well insuring families and businesses all along South Carolina’s coastline, with offices from southernmost Beaufort, up through Charleston and Pawley’s Island, to Myrtle Beach on the northern border. But even a beach-loving independent agency owner like Tim Baxley realizes all that coastal risk might be asking for trouble.

“The problems here are not as bad as Florida, but they could be,” he says. One solution came with an online agency management system that offered remote hosting and backup of the agency’s database. “It was paramount for us to move our hosting from in-house to online,” says Baxley, pointing to the firm’s coastal exposure. “We were afraid of the catastrophe exposure. We’ve seen entire agency offices wiped out.”

With online hosting, he says, “If we get a telephone line, we’re up. Even if we only had dial-up, we’d be open. With cell cards, we can be back online processing business the day after a storm.”

To further offset the agency’s risk, and to balance its book of business, last year Statewide opened an office in Columbia, S.C.—more than 100 miles from shore—with the intention of writing more inland business. “It doesn’t make us 100% immune,” says Baxley. “But we’re a little more protected.” —P.V.

### What We Learned

**E**arly on, Statewide Insurance Group “attempted to be everything to everybody, writing anything,” says Tim Baxley. “We were actually driving down profits by the opportunity costs lost. We had to realize that we (have) to sometimes say, ‘That particular client does not fit into our business model and would be better served elsewhere.’”

“We have the power to say no to some risks that, for some whatever reason, do not meet our model or help us achieve our goals.” —P.V.

time we add a line of business, we go up in retention,” says Baxley. Currently, the agency scores 94.7% for commercial lines and 98% for life, health and benefits.

Despite these efforts, retention remains more challenging for personal lines (88.4%)—primarily because of the fluid nature of coastal residents.

“We’re not losing customers to competitors,” says Baxley. “But a lot of people move here and then decide to leave.” He points to retirees who return to their northern origins and recent college graduates “who realize they can’t really work all day and play on the beach all night.”

### Better Tech, Better Staff

Increases in production, efficiency and retentions weren’t the only important measurements

### Statewide Insurance Group

**LOCATIONS:** Charleston, S.C. and four other locations in South Carolina

**FOUNDED:** 1993

**GROSS REVENUES:** 2007, \$2.1 million; 2008, \$2.7 million; 2009, \$3.0 million (est.)

**INSURANCE EMPLOYEES:** 21

**REVENUE PER EMPLOYEE:** \$143,000

**BUSINESS MIX:** Commercial property-casualty, 52%; personal p-c, 42%; life, health and benefits, 8%

**CARRIERS:** Auto-Owners, Encompass, The Hartford, Main Street America Group, Montgomery Mutual, Safeco, Travelers, Universal, Zurich

**CLIENT COUNT:** Personal, 4,300; commercial, 1,000

**RETENTION RATE:** Commercial, 95%; personal, 88%; life, health & benefits, 98%

**TECHNOLOGY:** AMS 360

**IIABA AFFILIATIONS:** Trusted Choice®

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of success at Statewide. Another critical, if intangible, benefit of more efficient technology: Employee morale went up, and it became easier to attract new staff. “The caliber of employee is much better with technology,” Baxley says. “It’s a lot easier to recruit professionals.”

Baxley also is hoping it will be easier to attract quality agencies looking for a buyer. “We are actively seeking to acquire additional agencies that can be incorporated into our technology-driven, client-focused agency culture,” says Baxley.

As Baxley looks ahead, he considers what new technologies his agency can use, including social media. “You either embrace technology, or get left behind,” he says. ☐

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