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June 30, 2021

The Foundation on Which Success is Built

To our friends and clients,

How would you define success for insurance agents and brokers? Most would define success as strong growth, attractive levels of profitability, and rapidly escalating shareholder value. If that is, in fact, the definition, how do you achieve that success? Certainly, that kind of success is unlikely without having the right clients (i.e., growing, healthy, and stable clients) and ensuring that their needs are being well served. You could argue, then, that your customers should be the highest priority for your firm – but we would suggest this is not the case.

Without question, long-term success is first and foremost going to be a function of the quality of your staff and how well you care for them. If you have a high-quality, motivated staff, you are likely positioned to attract and retain your target customers, see your revenues grow, and be productive and profitable. A high-quality, motivated staff is the greatest sustainable competitive advantage you can have – and it is also the most difficult facet of your business for your competitors to replicate.

Well, is this breaking news? Not really, it has always been the case. Now, though, some things are changing that will challenge your ability to retain your key producers and employees, including the following:

1. Gallup reports that Millennials (age 25-40) are significantly more likely to consider a job change than those in other generations. The employees in this age band are critical

- also a warning that you can lose the ones you have.
2. Agency ownership has been an attractive part of many firms' offerings to key employees and an important part of those firms' cultures. For those firms that have sold, ownership is most frequently off the table, which is a material disruption of a critical employee recruiting and retention benefit. The loss of that benefit may encourage some of your producers to look elsewhere.
 3. For those firms that have not sold, ownership may be available to producers but services, support, and capabilities may be more limited. In an industry that is aggressively pursuing scale and resources, privately held firms need to find ways to effectively support their producers or the offerings of larger brokers may be enough to pull them away.
 4. With agency values skyrocketing, the money that well-capitalized agents and brokers are willing to throw at hiring talent away from competitors is escalating and more attention is being given to this growth strategy. Preventing these lift-outs is difficult, especially considering the cost of litigation and the difficulty of getting courts to support restrictive covenants in many jurisdictions. We would anticipate that there will be an increasing amount of movement of talented producers and their books of business, which is, once again, an opportunity and a threat.

What does all of this suggest? You better not take your focus off your people or take any of them for granted. They are your most valuable asset and the foundation on which your firm is built. Given the dynamics in the market today, you should assume that others are going after them. You need to make certain that you are providing for them a platform on which they can prosper. You need to protect your culture and make sure it continues to be (or becomes) a culture that attracts and embraces talented individuals. You need to make certain that you are offering competitive compensation as well as other benefits and incentives that make it hard for people to leave. Stay connected with your producers and listen to them, support them, celebrate them, and care about them. Your long-term success depends on them.

Bobby Reagan

CEO and Partner, Reagan Consulting

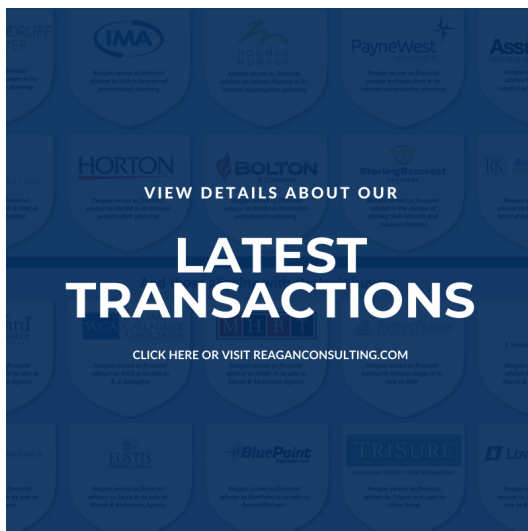
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