

MGAs Making Headway

BY MARK NOBLE

The impending retirement of most of today's insurance-focused advisors may be the biggest threat to the industry, according to pundits at this year's MGA Symposium. Yet, a twinge of optimism was afoot as MGAs reported having some success in finding new recruits to take over the books of aging advisors.

While succession planning is an industry-wide problem, MGAs will feel its effect earlier than other channels. According to LIMRA and an independent survey con-

ducted by Rogers Publishing's Business and Professional Research Group, the median age of an independent insurance agent is 56.

Cognizant of an impending exodus of core professionals, MGAs have been working hard to repopulate their ranks with younger advisors and help their existing brokers develop succession plans.

"We were horrified – although not surprised – to find succession planning was really non-existent amongst our brokers," says John

Lutrin, executive vice president and chief marketing officer for HUB Financial, Canada's largest MGA. "Within the next 10 years as much as 85% to 90% of our broker base will retire. We obviously realize we need to bring in some new blood, and that's recognized industry-wide. We are really taking this seriously."

For the last two years, HUB has been actively recruiting new advisors through their New Broker School Program. HUB will train new advisors to a certain competence and then introduce them to more senior level advisors who, hopefully, mentor them to the next level and eventually bring them on as a partner to take over.

"When we presented this to our advisors we did so on the notion that we will bring in the raw resources, groom them up to at least a productive level of beginner independence and introduce them to the older-school advisor," says Lutrin.

In two years, HUB has been able to recruit 52 new advisors, with only eight opting out of

the profession – a remarkable retention rate within the industry. Lutrin believes it's a great start considering how competitive the market is for new talent.

"Last year alone, from the new 52 that we brought in, we did \$380,000 on first-year commissions. Some of them will stand others will look towards the older generation for mentorship."

Lutrin stresses that since HUB promotes the independent nature of advisors, there is no formal process of pairing up junior advisors with mentors. Rather, Lutrin says, HUB facilitates these relationships through networking.

"We have to walk a fine line where we respect their independence [to create their own succession plan] but we do want them to know there are alternatives," Lutrin says. "We can't really play the role of matchmaker more than just introducing them. It's up to the advisors to find a cultural and intellectual fit with the new recruits."

Finding credible successors is being helped along through train-

ing support from carriers dependent on MGA business. For example, Empire Life had done a lot of work with HUB's new brokers in training them on sales skills, says Rick Forchuk, associate vice president of individual distribution for Empire Life.

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Empire is offering additional compensation on first-year commissions from new advisors in the MGA channel who attend their advisor boot camp.

"Empire provides a week-long boot camp for new advisors and focuses almost exclusively on sales skill. Who to call, what to say, how to say it, how to open and how to close," Forchuk says.

In order for a new advisor to apply for the program they must never have been contracted with any other MGA before; been in

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Caron Czorny, PEAK Insurance Services Inc.

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the business less than six months; and they have their LLQP looked after. The reason for targeting such green advisors is that Empire can simulate some of the loyalty they had with their former career sales force, who are by and large poised to exit the business soon.

“This gives us the opportunity to be the first company to talk to them about how to do things. Our underwriters will be the first underwriters they ever hear from, just like our wholesalers will be the first wholesalers they ever hear from,” Forchuk says. “Since we started in 2005, Empire has received about \$500,000 in new commissions from people who were not in the business in any way, shape or form. That’s great for us and great for the MGAs because it’s new blood.”

Forchuk also says the retention rate for their MGA trainees is “really outstanding” – three-year retention is better than 75%.

“If you can get that type of

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retention, that’s fabulous. I think that’s because a lot of the people recruited are tending to have a direct line to the MGA, they are children or relatives of people already in the business.”

David Juvet, president of Ontario East Insurance Agency, emphasized how bringing on a succession partner can be successful even at higher levels. Juvet is selling his MGA to an associate he hand-picked to mentor 10 years ago.

Juvet was poised to sell to a third-party buyer, but when that fell through his partner was able to bid an acceptable price.

“I recruited my successor 10 or 11 years ago and he became one of the parties able to bid on the business. Whether I had sold to a third party or sold to him, he still gets the same recognition in terms of participation because he contributed materially to building that asset,” Juvet

says. He concedes that while it may “not be possible for all MGAs to recruit their successors, it’s a happy outcome if it can be done.”

Juvet notes when he selected his successor he looked for someone who had had a different skill-set than his own. That way they developed into a successful partner who could help grow the business in different ways before taking over.

“This was someone who would be the number two guy in terms of providing resources to brokers. This gentleman had a background in actuarial mathematics which I certainly did not have. He’s an expert at analyzing products, whether it be life insurance or living benefits and is also much more technologically comfortable than I am at using present-value calculation tools and so on,” he says. “I’m certainly encouraging him to take what he finds valuable from what we’ve done together and use it as he wishes in terms of adding to skillsets he doesn’t have in consultation now with someone he believes will be his potential successor.”

AER

PLEASE CHARACTERIZE THE CHANNEL IN WHICH YOUR INSURANCE BUSINESS IS PROCESSED:

	2008 n = 483 %
Part of a MGA (Managing General Agent)	68
Part of a Mutual Fund Dealership	12
Independent Advisor; not contracted with any of the above	10
Part of an IDA (Investment Dealers Association) member firm	6
Other	3

Source: Advisor Group MGA 2008 Survey

