

The Consultative Broker™ Briefing

A Free Publication of C.R. Ekern & Company

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Consultative Brokerage 2005 Year-End Readership Survey Results

The results of the 2005 Consultative Broker Readership Survey are now in. Once again, thanks to all of you that have taken the time to provide us with valuable information on the issues that are important to you. This information will be utilized to tell the Consultative Brokerage story throughout our changing industry.

This year, we have broken our results into three different categories:

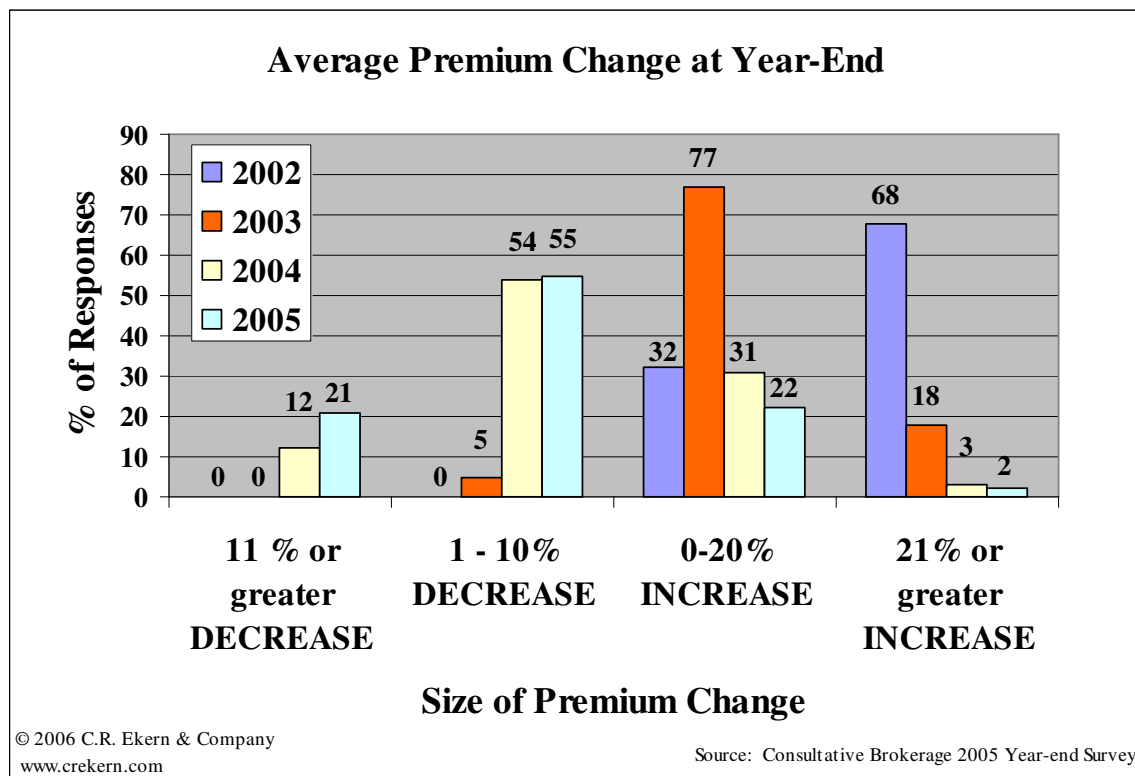
- **2005/2006 Marketplace Review**
- **Methodologies of Revenue Production**
- **Consultative Brokerage Practices**

We have provided you with the data of each category along with our insights as to the meaning.

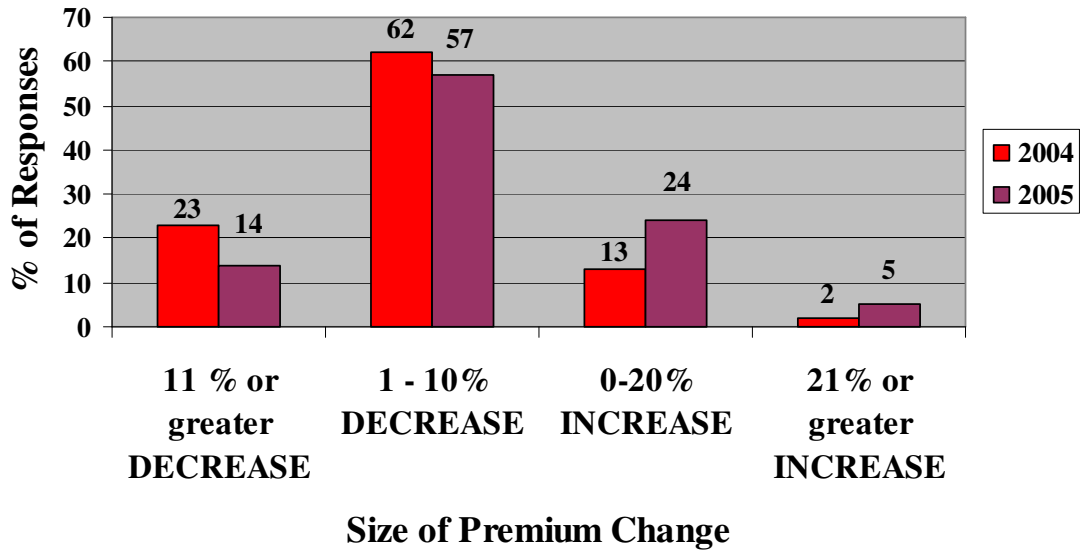
2005/2006 Marketplace Review:

It comes as no surprise that the majority of brokers experienced a greater than 10% decrease in premiums in 2006 and expect a 10% decrease or greater in 2006. However, a growing number you, 25% actually believed that premiums would increase in 2006. Competition among brokers appears to have stabilized with 46% stating it to be above average or fierce.

The most critical challenges for brokers continue to be keeping revenues up and finding and training quality people. The number of carriers with an appetite for new business remained flat with the majority of respondents indicating there are 3 to 4 carriers with an appetite for any given deals.



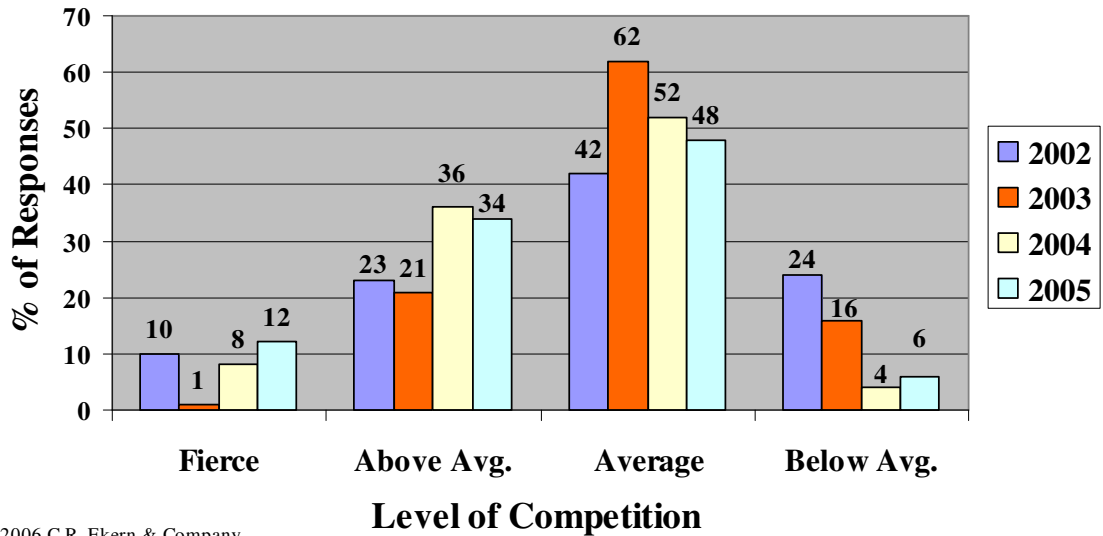
Estimated Average Premium Change This Coming Year 2006



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Source: Consultative Brokerage 2005 Year-end Survey

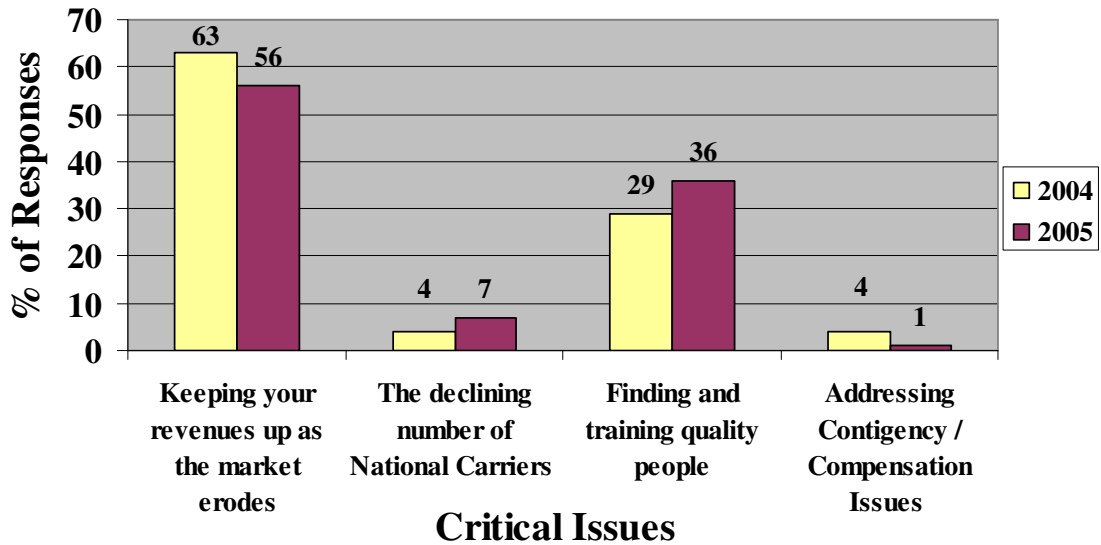
Competition Among Brokers



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Source: Consultative Brokerage 2005 Year-end Survey

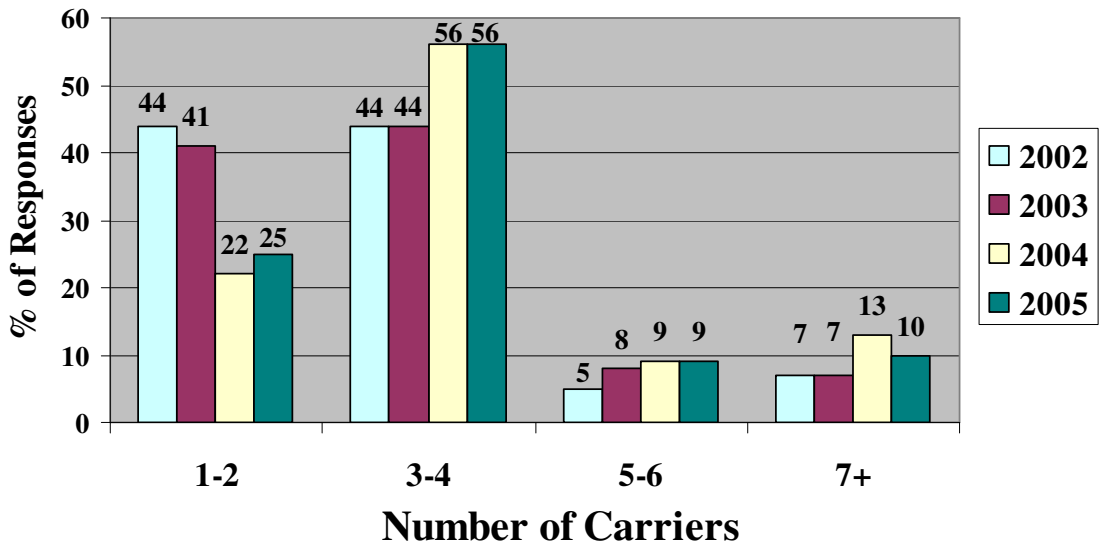
Most Critical Challenge for the This Coming Year 2006



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Source: Consultative Brokerage 2005 Year-end Survey

Number of Carriers for Year-End Renewals



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Source: Consultative Brokerage 2005 Year-end Survey

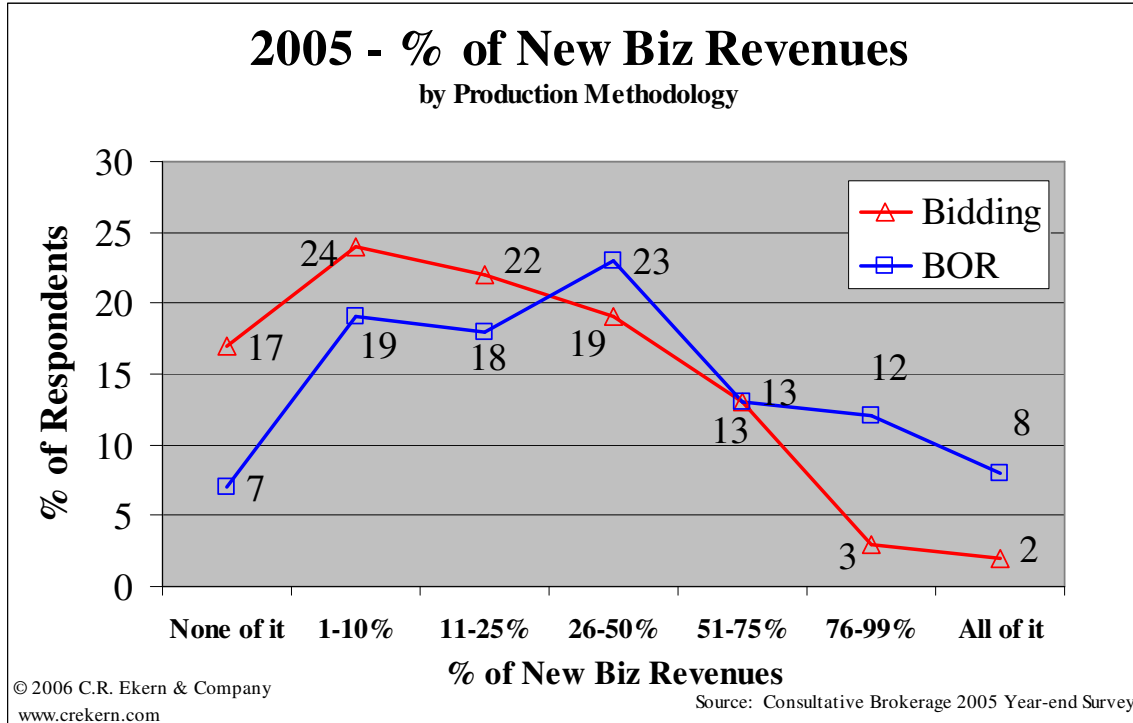
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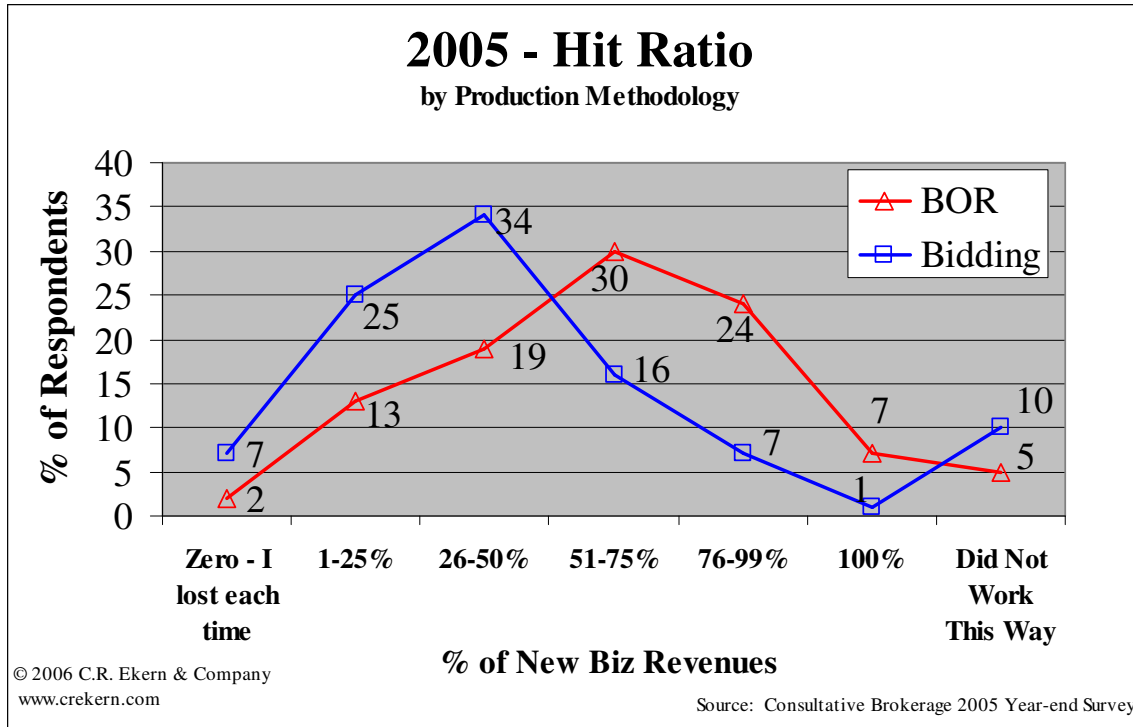
One of the most telling statistics is the number of carriers for any given deal. In past market cycles, as the market softened, additional carriers came into the mix. So far, this is not the case. We believe this is caused by a much smaller supply of National Carriers who offer agency contracts. At the time of this writing, there are only seven of these carriers as opposed to 17 five years ago. This will create a small universe of competition as many brokers all represent these carriers.

Broker Methodologies of Revenue Production:

Agents and brokers have continued to move away from the Marketplace Selection Process. They are reporting a continued increase in revenue by utilizing the Brokerage Selection Process and attracting new clients through the Broker of Record. In fact, the majority of brokers that worked on the Market Selection Process created 25% or less of their new business from that method. While the majority that utilized the Brokerage Selection Process created 50% or more of their new business.

Likewise, the hit ratios of each process continued to polarize. Those brokers that utilized the Brokerage Selection Process reported substantially higher hit ratios. The median hit ratio for those that used the Marketplace Selection Process was 37%. While those that used the Brokerage Selection Process reported a median hit ratio of 58%.





Comments:

We have been telling you for years that the Marketplace Selection Process is a terrible way to make a living. Now, the majority of brokers are accepting our assessment. The hit ratio numbers show an improvement of over 50% between the Marketplace Selection and the Brokerage Selection (37% versus 58%).

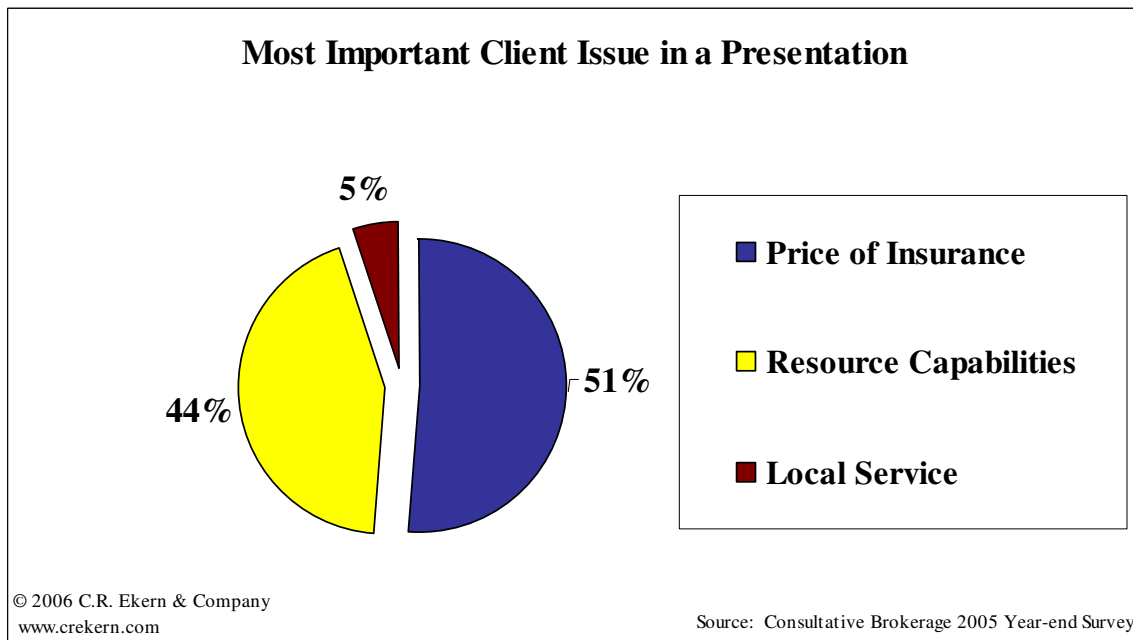
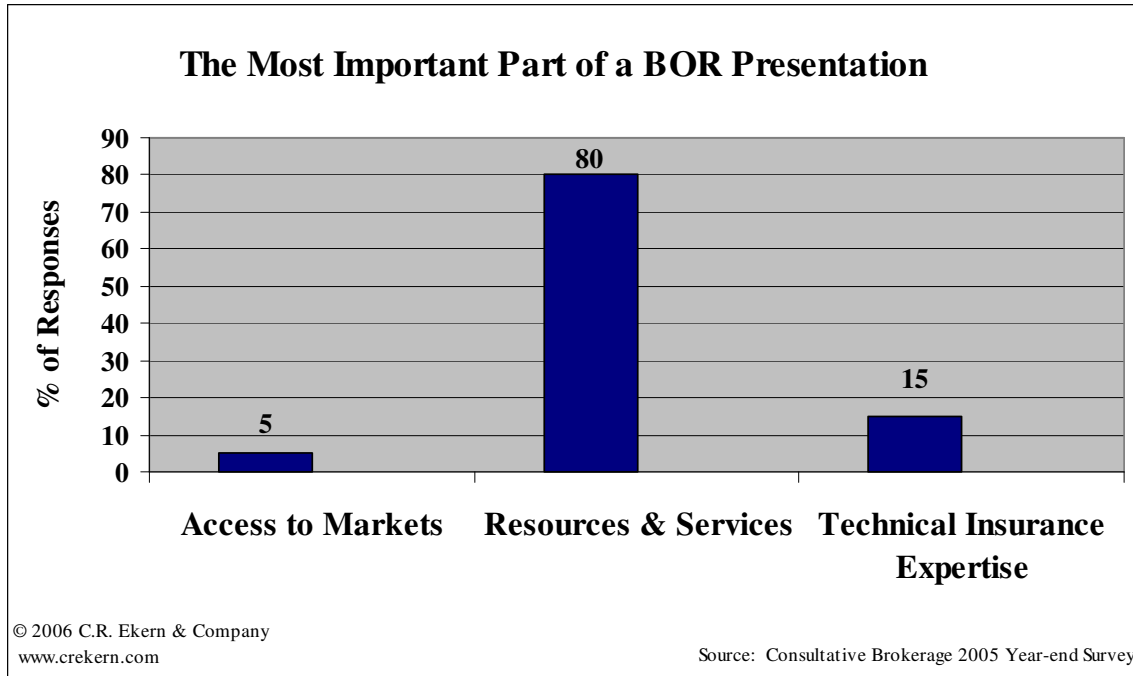
These numbers demonstrate another vitally important point. If the brokers are reporting a growing success rate with the Brokerage Selection Process, that means a growing number of clients and prospects are accepting this methodology. Those of us that understand and practice Consultative Brokerage are making progress!

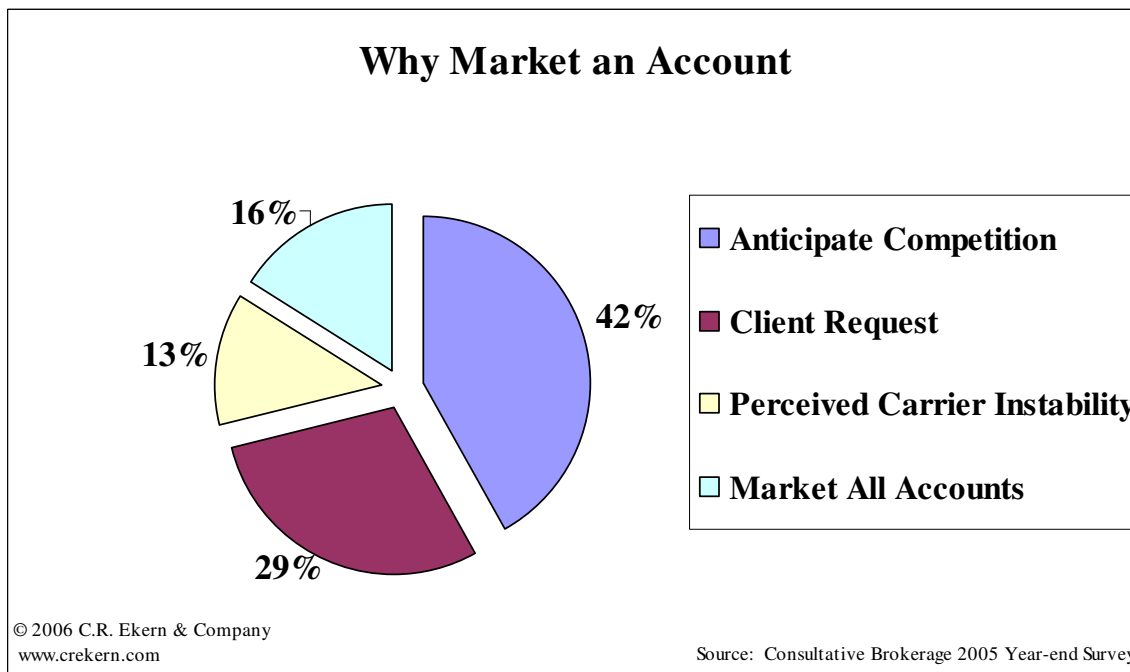
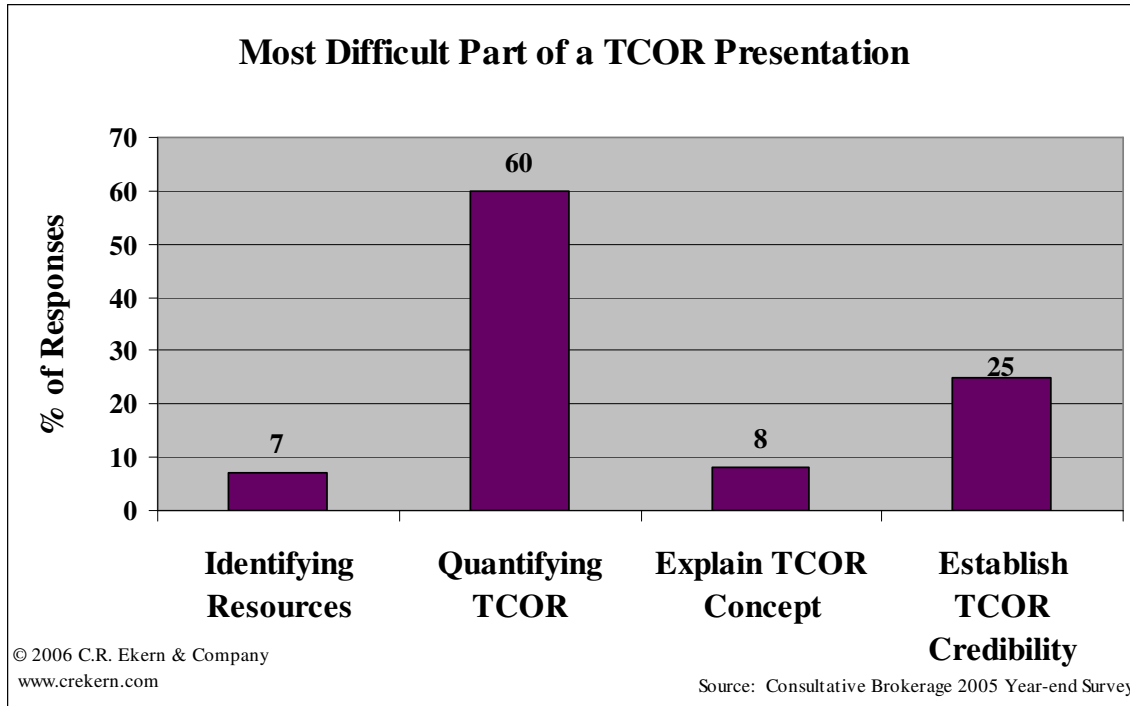
Consultative Brokerage Practices:

Brokers have a growing awareness of the importance of resource capabilities. This importance is demonstrated by 79% of our respondents who indicated that Resources and Services were the most important part of a BOR presentation. Likewise, 43% believe that Resource Capabilities are the most important issue to clients in a presentation.

There is a real disconnect; however, when Brokers are asked to identify the most difficult part of a TCOR presentation. They have no difficulty in identifying resources or explaining the concept. However, 86% of them consider the quantification and the establishment of credibility as being the most difficult.

We wanted to know what causes a broker to go into the marketplace. 41% of the time it is because they anticipate competition, 13% of the time it is because they market all accounts. This creates 54% of the marketplace submissions.





Comments:

It is our belief that this disconnect is caused by brokers not understanding the real business they are in. Most brokers see themselves in the business of selling insurance.

Because they place resources in the category of “features” they are not able to quantify the benefit to the client. Nor are they able to demonstrate the impact on a buyer’s balance sheet. Therefore, the majority of them revert to price as the most important part of a presentation.

When asked about the main reason for marketing an account, 41% indicated it was in anticipation of competition. We see this anticipation as a fear based response. In many cases, because the principles of Consultative Brokerage were not followed, a broker finds themselves in competition that never should have started. Once this occurs, the competition becomes about price and carriers. All issues outside of a broker’s control.

Closing Comments:

Thank you very much for your input and dedication to the Consultative Brokerage Methodology. We believe that these survey results show that brokers across the country are now recognizing the true value of TCOR and Brokerage Selection as they move away from the commodity-based selling approach. C.R. Ekern & Company is very pleased to provide our industry with this exclusive year-end report and analysis. As North America’s leading consultant for regional brokers, we specialize in large account revenue development, client retention, and TCOR strategies. For more information about C.R. Ekern & Company, please feel free to contact us at 888.670.1177 or visit our website at www.crekern.com. In the event you choose to use the data provided in this analysis for any purpose, please remember the copyright restrictions.

Best Regards to all Consultative Brokers,

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