

# The bridge

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## Letter from the President

### We'll help you thrive in tough times

The financial crisis has taught businesses some tough lessons: Don't make short-term decisions. Don't borrow more money than you can pay back. Don't be reactive—be proactive. And do right by your clients.

By taking care of clients, Oak Street Funding enjoyed its best year ever in 2008—smack in the middle of the worst economic crisis since the Great Depression. While many other lenders failed, we continue to lend significant sums of money, build on our servicing platform and expand our core competencies.

Our success is a result of maintaining a customer-centric culture and responding quickly to change and new opportunities. We have a consistent track record for taking prudent risks—refusing to over-leverage clients or overreact to negative market conditions. The beneficiary of this success is you—agents and brokers—who can borrow money against future commission revenues to help achieve short- and long-term goals.

Borrowing money is risky and not always the best solution. Before you even consider borrowing, be sure your agency is operating efficiently. Be prepared to justify your need for capital and demonstrate how the funds will be used to achieve your business goals.

Let Oak Street guide you through these difficult options and help you select a capital structure that will position your company for long-term success. We've flourished in tough times by doing the right thing for clients like you. And we'll help you make the right decision.

Rick Dennen  
Founder, President and CEO

### **Oak Street Funding Vision Statement**

Oak Street Funding utilizes industry knowledge, well-developed technology and passion to deliver best-in-class service and capital products to insurance and finance professionals nationwide. Our customer-focused mindset and access to capital will allow us to continue to fulfill customer needs, identify growth opportunities and provide an empowering work environment for employees.

# Buying or selling your agency?

# Find the right match



If you're thinking about buying another agency or selling your agency or book of business, do your homework to find the right transaction. If not, you could end up with financial headache, strained relationships with carriers, anxious policyholders and other issues that can short-circuit your plans.

## Buyer's homework

### 1. ANALYZE SELLER'S BOOK

Look beyond total commissions from the past few years. See what percentage of the accounts have been on the books for two years, five years and even 10 years. Review the agency's loss ratios, carrier persistency, carrier contracts and types of accounts to anticipate their likelihood of continuing as clients.

### 2. EXAMINE NON-COMPETE CONTRACT

Ensure that a solid, protective non-compete contract is in place and will be followed not only by the seller but by the agency's producers.

### 3. REVIEW TAX RETURNS

See if the seller's tax returns match up with the commission statements — a

good independent check on what the seller is representing. Also examine ratios, margins and non-operating expenses.

## Seller's homework

### 1. COMPARE GOALS

Review your short- and long-term objectives for selling and determine whether the buyer can meet them. For example, if you plan to continue being part of the management team, you'll expect the buyer to invest in the future of the agency, such as to upgrade technology or fund a new marketing program. Be sure the buyer shares these goals.

### 2. ASSESS BUYER'S FINANCIAL STABILITY

Ask for full disclosure of financials, how the money will be raised, including the lending source, and how the transaction will be closed. Be sure there's proof of funds to support the buyer's ability to pay. Request to see the buyer's term sheet and supporting loan documents. Make sure a commitment letter is signed so the deal will go through with no surprises.

## Oak Street's online agency exchange

Through Oak Street's free online agency exchange ([www.osfagencyexchange.com](http://www.osfagencyexchange.com)), you can promote your agency to potential buyers nationwide by listing products, commissions, requirements and a brief description of what sets your agency apart. "We created this online marketplace in 2007 as one of the first of its kind with no fee or obligation, to help agencies prepare for inevitable changes in the coming years," says CEO Rick Dennen. And there should be plenty of changes ahead.





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**Tim Hyland**, President of Hyland, Block & Hyland



## Credit wish: *Let it flow*



Getting credit to flow smoothly is one of the keys to a healthy economy, and will depend on how soon people start trusting each other, according to *The New York Times*. For lenders, trust can be a function of due diligence. They're more likely to trust borrowers with solid business models. So if you're planning to borrow, get ready to prove how solid your business has been.

*The New York Times, Dec. 31, 2008*

## GOOD JUDGMENT critical for lending

Community bankers nationwide are **walking a fine line** with their judgments, according to *The Wall Street Journal*. Being too strict hurts the local economy. Being too lenient makes bank directors and regulators nervous and can endanger the bank's survival. The answer is a careful assessment of each borrower's ability to repay.

*The Wall Street Journal, Dec. 24, 2008*



## SIMPLIFY approach to boomers

Baby boomers crave simplicity and prefer dealing with one instead of several institutions—like a single insurance agency—for all their needs, according to Valerie Brown, president, retail annuities market segment for ING U.S. Wealth Management. She says boomers want simple, straightforward messages without jargon. So get simple—and get results.



## Rising need for long-term care

Another casualty of shrinking retirement funds: the ability to pay for costly long-term medical care, like the average \$77,000 for a year's stay in a nursing home. This year, more people than ever are expected to look at long-term care insurance, according to Richard L. Kaplan, University of Illinois elder law professor. Currently, only 10 percent of Americans own long-term care policies. Many others should consider purchasing a policy, including retiring baby boomers.

*Insurancenewsnet.com, Dec. 24, 2008*



## P&C market should harden

Commercial insurance premiums should start to climb by late 2009 or early 2010, according to a report from Advisen Ltd. ([www.advisen.com](http://www.advisen.com)), which offers analytics and information services to the insurance industry. Advisen predicts that underwriting losses and poor investment returns will put pressure on rates. That's welcome news for P&C agents and brokers.

*Business Insurance, Nov. 30, 2008*

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# Find the path SUCCESS

Oak Street thrives amid  
“worst crisis since Depression”

Even in the toughest economic conditions, some companies **manage to find their paths to success.** Enter Oak Street Funding, which—remarkably—has just completed its best year ever, strengthening its position as the top insurance lender in the country.

**While the credit crisis has stifled many financial institutions, Oak Street has opened up new credit lines and continues to lend substantial sums of money to agents and brokers, sending a powerful message throughout the industry: Oak Street is in it for the long haul.**

So how is Oak Street shining so brightly amid what's being called the darkest economic era since the Great Depression?

"We've been a responsible lender and have not over-leveraged our clients," says CEO and founder Rick Dennen. "Oak Street doesn't take a conventional, bank-like approach to lending," he says. Instead we evaluate loans based on scientific models that carefully analyze products and carriers.

"We take a partnership approach with our borrowers. We structure each loan for success and as liquidity has tightened, Oak Street has eaten the additional costs associated with that tightening," says Dennen.

It's been a far different story for many other lenders, including what had been Oak Street's chief competitor, Aleritas/Brooke Credit Corp., which was forced to shut down in October. This led Fifth Third Bank and DZ Bank to turn to Oak Street to help manage and value the loan portfolios for agents who had borrowed money from the publicly traded Aleritas/Brooke, based in Overland Park, Kansas.

Both financial institutions had good reason to rely on Oak Street. Brian Gardner, vice president of the Cincinnati-based Fifth Third Bank, called Oak Street "the perfect fit—with broad experience as an insurance lender and finely tuned organizational structure—to seamlessly take over loan

servicing functions and help the agents through a difficult transition process to independence." Pat Preece, president of DZ Bank America, lauded Oak Street's

ability "to quickly react to a troubled situation and immediately take control of the loan servicing functions."

Under terms of the agreement, Oak Street will transition borrowers away from Brooke's franchise system to become independent agents and manage the loan administration and treasury functions going forward. As a result, says Dennen, the affected agents and brokers will have more opportunity to grow and control their futures—with no more franchise fees. "Oak Street will serve as a liaison between banks, agents and the Department of Insurance to establish the agents under an independent structure versus a franchise model," he says.

### Agents and brokers can thrive in tough times too

Oak Street's stunning accomplishments should serve as a model for agents and brokers looking to blaze their own paths to success despite the tough economy. Dennen suggests that businesses across every industry be prepared for the unexpected and have a defined contingency plan that includes adequate cash reserves.

Before borrowing money, principals of agencies and brokerage firms should honestly assess their own companies, says Dennen. "If a business isn't performing well, the owner

needs to figure out why, because no amount of money will fix an inherent problem." He also advises agents to be upfront with lenders about their strengths and weaknesses and be prepared to provide all information requested. Proper due diligence will identify these weaknesses; therefore, agents should be willing to disclose the good, the bad and the ugly. By taking an honest look at their businesses and borrowing money responsibly, agencies and brokerage firms can strengthen their position in the marketplace and achieve their goals—whether expansion, growth or succession planning—even in a financial crisis.

### Choose the right lender

In these challenging economic times, it is more important than ever that agencies and brokerage firms educate themselves about different lending options. They need to select a lender who understands the complexities of their business and can help to simplify the often-exhaustive process of applying for a loan.

Through its proprietary technology, Oak Street can accurately evaluate lending risks. By reviewing an agent's book of business, credit history and carriers' A.M. Best or Demotech ratings, Oak Street places a value on the amount of capital the agent qualifies for and structures a loan to meet their individual needs, collateral type and cash flow. Oak Street provides other valuable services, including purchasing commissions from agents looking to raise outside capital without incurring debt. Plus, it helps those looking to buy or sell an agency to identify the strengths and weaknesses of a specific transaction.

A white silhouette of a person with a speech bubble above their head containing the text 'Q&A'.

Q&A

THE BRIDGE INTERVIEW

# How to keep the economic crisis from wrecking client relationships

**Q&A With Olivia Mellan**  
Nationally known author,  
psychotherapist, speaker  
and business consultant.



**As one part of the financial industry after another has imploded, stunned clients are wondering who they can still trust. Amid the upheaval, what can you do to retain your hard-won client relationships? For ideas, *The Bridge* spoke with nationally known psychotherapist, speaker and business consultant Olivia Mellan, author of *The Client Connection: How Advisors Can Build Bridges That Last*.**

**Q: How can you maintain clients' confidence and trust during times of uncertainty?**

I think whatever you can do to encourage a more consultative relationship will benefit you both. Look for reasons to reach out with a quick phone call, note or—best of all—a face-to-face meeting to review their situation. Be open and sympathetic. If there's something you're doing that helps you stay on an even keel during these trying times, share it with them.

You might also sponsor a special event with a speaker who addresses some of their pressing concerns. This doesn't have to cost a lot of money. Clients will appreciate that you made an investment in helping them, and I would be surprised if it doesn't also lead to some referrals.

**Q: Is there a way to communicate difficult information without hurting a client relationship?**

Given the current atmosphere of financial angst, I think it's best to be proactive with bad news. After explaining what has happened, you might say, "I am very upset about this situation. I tried to fix it"—assuming this is true—"but there's nothing I can do." Once you have allowed some space to hear the client's reaction, you might add, "I do have a few alternatives to suggest that might make this change less painful. When would you have some time to discuss them with me?" The important thing is for clients to know you share their feelings and are partnering with them to look for solutions.

**Q: How should you handle a client who is upset about the financial crisis?**

You don't want to move so quickly trying to cheer them up that you push away their feelings. Take time to let them tell you about their fears and anxieties. As much as you can, validate what makes sense to you. For example, you might say, "If I were close to retirement, I would feel that way, too." You may also need to remind them that we've never been in this situation before; it's not something they (or you) could have foreseen.

When they feel you've heard and understood what they have to say, they will be more ready to listen to your advice.

**Q: How can you stay calm and avoid taking out your anxieties on your employees or your family?**

My advice is to start with a personal stress inventory. Ask yourself how you act when you're stressed. Do you get impatient and rude, yell a lot or hide in your cave? Next, identify what has helped you rebalance yourself in the past. It might be quiet time with a loved one or some favorite activity—for me, it's music and dancing. Whatever this healing strategy is, try to do more of it. This can be difficult because stress makes most of us revert to our primitive survival mode, in which we tend to do less of what we need. But the more you can put into what I call a stress management bank, the more resilience you will have to handle stress in the future.

**Q: In this highly competitive marketplace, how can you add value to client relationships and differentiate yourself?**

I think many agents are moving toward becoming more holistic financial advisors. They're either broadening their own skills or partnering with other professionals, like estate attorneys. But even if that isn't your cup of tea, you can still find out what your clients are striving for and look for ways to help make their goals and hopes more attainable.

For example, you might build a resource list for your clients. If they need help with stress management, for example, or finding eldercare services, or choosing a new career late in life, there are people out there who specialize in all these things. When you connect your clients with these resources, it will help position you as someone whose care for your clients goes beyond offering them the best insurance policy.

Mellan can be reached through [www.moneyharmony.com](http://www.moneyharmony.com).



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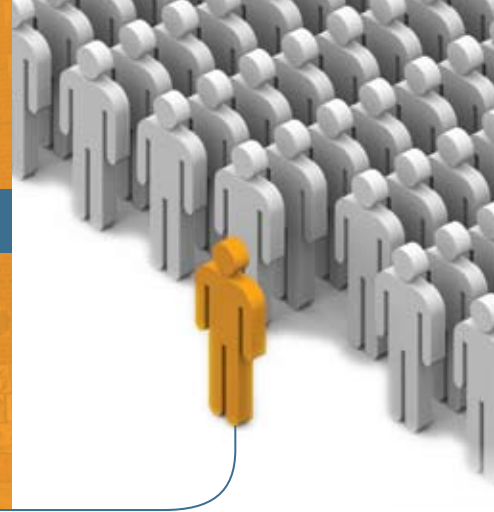
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[ FROM THE FILES ]



- **Name:** Gari Mitchell  
CIC, President
- **Agency:** G.D. Mitchell & Associates,  
Colorado Springs

Years in insurance industry ..... 16  
Agency owner since ..... 2004  
Current size ..... About \$6 million in premiums,  
six employees in three locations  
Lines ..... Commercial, life, health, property & casualty  
Challenge .... Expand from two Colorado offices into a new market  
History with Oak Street Funding ..... Loan in 2007

● **How OSF helped**

Provided capital to open a third location in Houston, Texas

● **Comment**

“After working at agencies locally and in Houston, where it was difficult for women to be accepted as producers, I decided to start a business where anyone could make it if they were willing to work hard. We’re a solid agency, and we try to make sure we’re bringing the best to our clients. As we continue to grow, I would certainly use Oak Street Funding again. I’d love to find another agency to purchase!”



# Publicize your agency with story angles.

## Build your brand now.

If you're looking to get your agency in the local business media, don't send a press release boasting about how great your firm is. The press wants news—not fluff. So follow these steps to deliver news to the media and become part of the stories.

### 1. Identify the media

Develop a list of local newspapers, business journals, Chamber of Commerce newsletters, radio/TV programs and business websites.

### 2. Develop legitimate story angles

Feed the media fresh news angles that appeal to a broad-based audience, not just the insurance industry. It could be a trend of local business owners with inadequate liability insurance. Or you could offer advice to vacationers on which additional insurance to purchase when renting a car.

### 3. Write a pitch letter

To convey your idea, develop a pitch letter, a brief story proposal personalized and e-mailed to each journalist. Here's what it should include:

**A. OPENING:** What's the headline? Visualize the headline for the article you're suggesting and put it into the first sentence—or even the subject line. For example: Vacationers spend too much on unneeded auto insurance. This first sentence is critical, since many journalists may not read any further if the concept doesn't grab them.

#### **B. ASK FOR THE INTERVIEW:**

Within the first two sentences, ask for the interview and explain why your spokesperson qualifies as a source. For example: I'd like to suggest an interview with Steve Jones, who has 20 years' experience helping local citizens save money on auto insurance.

#### **C. LIST OTHER STORY ANGLES:**

Toward the end of the document, suggest three or four additional story ideas. Sometimes, your third or fourth idea is the one that will entice the editor.

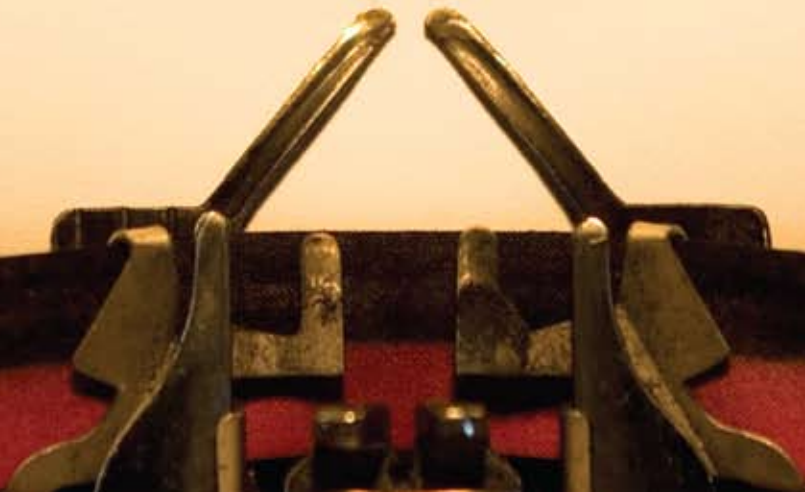
#### **D. OFFER ASSISTANCE:**

Close the letter with an offer to provide additional information and help facilitate interviews with others—such as a carrier spokesperson or local resident—for another perspective.

#### **Bottom-line results**

At a time when it's harder than ever to distinguish yourself from competitors, media coverage including your agency can be a huge point of difference. Though it's difficult to quantify the benefits of publicity, over the long term it will—directly or indirectly—help close many a sale.

THE END



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## [ MEET ]

## Mike Paciorek Oak Street Funding Director of Underwriting

The credit crisis has been hard on smaller businesses, with many banks turning thumbs down on new loans and shrinking open credit lines. But when insurance agents call Oak Street Funding to ask, “Are you still lending?” the answer is a definite yes—thanks in no small part to the diligence of Mike Paciorek, OSF’s Director of Underwriting, and his team.

When a loan application is submitted, an underwriter on Mike’s team analyzes the book of business to be used as collateral as well as the agency’s financial health and the applicant’s creditworthiness. Every application is reviewed twice: first by the underwriter in charge of the loan and then by Mike.

In contrast to banks that have gotten into trouble by lending more than borrowers can repay, Oak Street Funding has “always looked at it a little differently,” Mike explains. “We’ve had the discipline not to over-leverage our borrowers.” This prudent lending philosophy was decided back in 2003, when Mike joined Oak Street Funding shortly after Rick Dennen launched the company. “I liked Rick’s vision for the company, and I wanted the opportunity to grow a business,” Mike says.

Mike was a banker himself before joining Oak Street: first with Mitsubishi Bank in Chicago, then with First Indiana Bank and Bank One in Indianapolis. A graduate of Indiana University, he earned an MBA at Butler University. He’s a Chicagooan by birth and a dedicated Bears and White Sox fan.

“It’s been fun” developing OSF’s culture and guidelines, Mike says. Credit crunch or not, those fundamentals aren’t likely to change soon. “We’ve always maintained the philosophy of doing what’s right for the customer,” he points out. “We were doing it when times were good, and we’re still doing it now that times are tough.”

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