

AGENCY BUILDING ▼

## Protect Your Agency's Most Valuable Asset

*Rewards in reviewing your book of business*

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Like automobiles, homes or even the human body, successful insurance businesses need regular checkups to make sure they are operating at peak efficiency. Too often, small financial errors are not detected until they have escalated into full blown problems, threatening the financial health of the agency. Small anomalies or one-time problems can even result in business failure if proper business contingencies are not in place.

As part of the loan approval process, red flags are often raised during the review of an agency's book of business. Whether minor errors or glaring oversights, collectively, these can impact the value of an agency's book of business and future income. By setting aside time each month, you can maximize the accuracy of your books and possibly gain additional business. Following are some reasons why you should not put off reviewing your book of business.

### **BETTER MANAGEMENT OF CASH FLOW**

Regular exams can assist in better managing and understanding cash flow. Investments can be timed to coincide with commission payments. Or, you may determine that a loan is necessary to finance a planned purchase or cash shortage. One of the best ways to determine optimal cash balance is to fully plot cash flows and prepare a forecast. A cash flow projection will provide a detailed forecast of future cash inflows and outflows, helping you to avoid cash deficiencies as well as excessive cash balances. A cash flow forecast also lets you know how long you may invest idle

cash, when it may be necessary to borrow, and when funds are available to purchase new capital assets.

### **ASSURANCE THAT YOU'RE PAID WHAT YOU'VE EARNED**

Even in today's "computer-age", errors occur. Reconcile account statements received from carriers against commission checks as soon as you receive them. Compare funds received against the statement and account for any adjustments that may have been made. Sometimes a statement will reflect a policy change or lapse in coverage of which the agent was not made aware. Investigate any change in commission checks and contact the carrier with questions. Was a change made to policy premiums that may have impacted renewals? Did an accounting error occur? It's easier to solve problems sooner rather than later, so investigate the disparity.

### **INCREASED SALES OPPORTUNITIES**

There is no substitute for staying in touch with your customers. You can bet that if you're not calling on your customers, other agencies are, so use the review process as an opportunity to connect with customers at least on an annual basis. Regular review of your compensation statements may identify new sales opportunities and coverage lapses that may have occurred. Most consumers appreciate good customer service and few people have the time to explore additional products that may benefit them, until they are in need. By being proactive you have an opportunity to sell additional products to people who have already demonstrated an interest in your services.

### **MINIMIZE RISK OF OVER-CONCENTRATION**

Regular review of your book of business can alert you to a

book that is too weighted in one particular area or concentrated too heavily with one carrier. Maintaining a diverse book of business makes it easier to avoid seasonal or economic fluctuations that can impact the performance and profitability of your book. If your book is too heavily weighted in commercial insurance, seek opportunities to sell other products such as personal line products. Likewise, consider adding additional carriers so that a reduction in compensation through one carrier has less of an economic impact.

#### **MAINTAIN A SYSTEM OF CHECKS AND BALANCES**

Finally, a regular review of your books can alert you to suspicious activity and make sure that the accounting staff is staying on top of things.

Your book of business is your agency's most valuable asset, so protect it as you would any tangible treasure.▲