

Commercial Mass Marketing

A sales tool that brings many advantages

In 1822, Zachariah Allen thought he would save a lot of money on his fire insurance premiums by building the most fireproof textile mill possible in North Providence, R.I.

But when he learned his premium would be the same as the owner of a run-down factory across the street, Allen helped organize the Manufacturers Mutual Fire Insurance Company of Rhode Island to provide insurance for factory owners who were as fire prevention-conscious as he was.

These days we call what Allen

did "specialized" or "target" marketing. He selected the best risks within a class of business and developed an insurance program to meet those needs. This is the strategy of Commercial Mass Marketing (CMM) which markets insurance programs through associations.

Five percent of the \$48 billion commercial property/liability market was written through some form of CMM in 1983. Industry experts predict this figure could be as high as 30 percent by 1990. John McManus, executive vice president of the Professional Insurance Mass-Marketing

Association, agrees. "There's no question that property/liability commercial lines are the fastest growing part of mass marketing today," he said.

Ideally, CMM benefits everyone. Associations offer a valuable benefit to their members—better insurance coverage than they can get on their own. And producers and carriers put new business on their books cost-effectively.

Recognizing that CMM gives producers an effective means to develop new commercial accounts, Crum and Forster has refined it into





Dave Cairns (right) with Arnie Haug, president of Cub Foods, a supermarket franchise in Minnetonka, Minn. The store is affiliated with Super Valu and insured through Risk Planners.

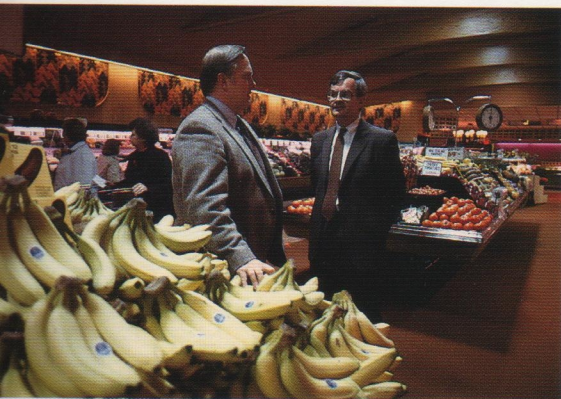
a positive marketing tool.

With a network of producers and regional commercial lines organizations—U.S. Insurance Group and C&F Underwriters Group—the Crum and Forster organization is ideally structured to develop and market CMM programs for state and regional associations. USIG covers 27 southern and midwestern states, while CFU's area includes 13 north-eastern states and Canada.

CFU conducted an agency survey in 1983 in which producers identified a CMM program as a key need. Ed Neighbour joined CFU last

year as assistant vice president in product marketing to develop such a program, which was in place the end of '84. "We introduced our CMM program to our branches last fall," he said, "and now we're ready to write specific association accounts."

Joe Smith, who came to CFU last August as CMM manager, commented, "Our program was developed in direct response to our Custom Agents' need for state-of-the-art target marketing techniques." He added, "It is an ideal time for us to enter this growing area. CMM becomes more viable as the market



Dave Cairns (right) and Don Byerly, president of Byerly's in Edina, Minn. The elegant supermarket is carpeted and lit by chandeliers. Byerly's purchases grocery supplies from Super Valu and insurance from Risk Planners.

hardens and insureds turn to their associations for coverage and service that is difficult to obtain."

"CMM is a marketing technique that can make our sales process more effective," Neighbour explained. "We'll be able to learn a lot more about a class of business in terms of loss problems and insurance needs. We can then design a more profitable program."

"We're looking to our branches to make CMM a success," he stressed. "Working with a CFU producer, a branch will target one or more classes of business for an association program. The Home Office will then coordinate its activities with the branch and agent to tailor a program and present it to the association. Once the program is accepted, we'll provide our agents with targeted leads and back them up with advertising and sales promotion support."

"When an association sponsors an insurance program," Neighbour continued, "it gets our producers in

the door. Cold canvassing doesn't work anymore. You need to enhance the image of a carrier or producer in the mind of the insured—and CMM can do this. I've spent 10 years working with these programs, and I'm still excited about CMM."

USIG began offering commercial mass marketing programs in January 1984 and expects to have 20 CMM programs by the end of '85.

The people responsible for the program at USIG aren't surprised at CMM's success. Steve Smith, USIG senior vice president—planning & market development, and assistant vice presidents Doug Gaudet and Mike Mitchell have a combined total of more than 35 years experience working for agencies and carriers in CMM programs. They describe it as a great way to develop new business.

How CMM works

Using the expertise of their agents and brokers, USIG and CFU will develop programs for many kinds of associations, from colleges to supermarkets. The insurance product is custom-designed, priced competitively, and through C&F producers, marketed to members with the association's endorsement. In this way, CMM offers association members an insurance program that meets their needs *and* provides a sizable block of prospects for producers.

A CMM success story: Super Valu Stores, Inc., headquartered in Minneapolis, Minn., is the country's largest grocery wholesaler. It also markets insurance to affiliated stores through its wholly-owned insurance agency, Risk Planners, Inc. USIG and Risk Planners developed a comprehensive property/liability CMM program for supermarkets.

The agency agreed to use USIG as its market for retail supermarkets. A special supermarket program was developed and is available to C&F agents through Risk Planners. "Several of our agents have already referred business to them," Smith said.

Mutually beneficial is how Dave Cairns, treasurer of Super Valu and president of Risk Planners, describes his agency's relationship with USIG: "They get a large book of business, and we get a market, a stable price, and a stable relationship through a three-year contract."

"USIG was one of many markets we approached," Cairns continued. "The more we talked, the more I liked them. We got answers when we needed them, they negotiated in good faith, and they came up with a very good proposal."

Why we're the 'best'

Crum and Forster believes that USIG and CFU are the best markets for an independent agent or broker to work with in developing a successful property/liability association program.

Why? Because as far as we know, they're the only carriers who provide custom-designed products to meet a group's special needs, a full range of marketing services, *and* a network of agents and brokers to "wraparound" and support an agent in developing and selling an effective CMM program.

"Also, unlike some other companies," Smith noted, "we're not contractually limited to develop and market CMM programs with only certain agents. This gives us tremendous flexibility, and we can work with any producer."

Mike Mitchell said, "What really sets us apart from many of



Producer Don Mouser (right) with Jack and Randy Pritchard, owners of Service Gin, Inc., a cotton ginner in Plainview, Texas. The cotton in the background has just been stripped off the stalks and is ready to be fed through the gin.

our competitors is our willingness to custom-tailor products. This is extremely important in CMM and can't be stressed enough. We don't offer shelf products. We work closely with agents to design special programs. We'll consider *whatever* it takes to develop a good association program that is still profitable for us. Not many competitors can say that!

"Although we can't tailor workers compensation coverage because it's statutory (we must write the coverage required in each state by law), we *can* work with various rate plan approaches," Mitchell continued. "And in a superior class of business, we can offer a dividend program considering the individual risk experience, in addition to a group dividend if the group has good overall loss experience."

Effective marketing crucial

"Once the product is developed, our job is only half done," Smith stressed. "For a CMM program to be successful, at least 30 percent of the association's members must participate. We've designed effective marketing tools to back up our agents in selling CMM programs. With the endorsement of the particular association, we market to members by placing ads in association and trade publications, supplying convention exhibits and brochures, and direct mailings to each member on association letterhead over the executive director's signature.

"Marketing through an association increases our chances of a high response rate—'hot' prospects we can give our agents," Smith said. "By the time they step in, the pros-

pect is ready for a quote in the program endorsed by his/her association."

"Our agent/broker network can support the originating producer's sales force by contacting prospects beyond his/her marketing area," Doug Gaudet said. "We'll compensate a producer for bringing a good endorsement to us, allow him/her to function as program manager, and pay the originating agent an override commission on the business produced by our network agents."

USIG has divided all of its branch/regions into CMM sales territories and will offer its agents in each area the chance to work prospects USIG and the association provide. "Prospects' names are fed into our new computerized Prospecting and Lead Control System, which in

turn creates prospect reports, sorted by territory," Gaudet continued.

"These reports are distributed to our agents who visit the members, present the program, provide a quote and report their results to USIG. We then develop summary reports for each program showing how many association members have joined.

"Additionally," Gaudet explained, "our new Data Capture System will aggregate premium and loss information on a group basis so we know if a particular program is profitable and can highlight loss areas which deserve special attention. We'll also use this system to calculate safety group dividends. If a group's loss experience is good, we may return a dividend."

Both systems—Data Capture and Prospecting and Lead Control—were developed by USIG planning & market development and C&F's information services department.

We're committed to CMM

"With tightening markets and rising prices, more and more businesses will be looking to their association to provide a property/liability insurance program," Smith said. "We're in the CMM business to stay. We're cautious in selecting programs, but we're making long-term commitments to those programs we develop.

"We're extremely pleased with the response from our field offices and our agents," he continued.

"Everything we've seen indicates that our CMM program will be extremely profitable for producers and C&F."

Producers who have CMM programs with USIG are enthusiastic, too.

Dick Marshall, vice president of Frank B. Hall of Wisconsin, Inc., manages a CMM program for the

Bowling Proprietors Association of Wisconsin. It includes property/liability, workers compensation, umbrella and commercial auto.

"We wanted a top company that would get involved in CMM and stay with it," he said. "I've always felt that Crum and Forster is that kind of organization. So when we learned that USIG was in the CMM business, we contacted their Milwaukee Service Office. We've had excellent cooperation from everyone.

"It's extremely important that the carrier understand the association's business," Marshall noted. "Unlike other states where many bowling centers may have 36 to 72 lanes, in Wisconsin the typical center is a 10 or 12-lane operation. They are also family-run businesses. This makes them much better risks than they may be in other states. USIG understood this, and it made developing a successful program for the association much easier."

Jack Hampton of Hampton Insurance Associates, Inc., in Casselberry, Fla., manages a special builder's risk program, contractor's equipment floater and umbrella coverage for the Florida Home Builders Association.

"Marketing through associations is an excellent approach," he said, "but there are many factors involved. You can't just sign up associations and expect to sell. After you've developed a good program, you've got to promote it to all the members. A great deal depends on the carrier's marketing technique, and USIG's is excellent.

"In fact, I couldn't ask for more!" Hampton continued. "USIG and its Orlando Branch worked extremely hard to develop the program with us. They tailored it to meet our

needs and helped us in whatever way we felt was important for us to sell the program."

Don Mouser of the Mouser Agency in Plainview, Texas, a USIG agency for 25 years, developed a five-part CMM program with USIG for the Texas Cotton Ginners Association. It includes property/liability coverage, workers compensation, commercial auto, umbrella, and a special inland marine floater that protects bales of cotton in yards and in transit.

"USIG's program is one of the most effective, well planned and managed I've seen," Mouser said. "Its distribution system makes USIG an excellent mass marketing facility. With the USIG producer network, all 581 members in the association will be within approximately 50 miles of a USIG agent. USIG guarantees that every member will be contacted and the program explained to them by their agents.

"I've had terrific cooperation from the people in the Lubbock Branch and the Home Office," Mouser said. "If you can show that a program can be profitable, USIG will help you put the program together. It's a real fine organization to work with."

Other associations or groups with USIG-designed CMM programs include Independent Colleges and Universities, Southwest Home Furnishings Association, the Health Care Group in Minnesota, Illinois and Missouri, the Texas Savings and Loan League, the Tennessee Building Material Association, and the Kentucky Lumber and Building Material Dealers Association.

For more information, contact your local USIG or CFU marketing representative. 