5 Steps to Success: How to Choose the Best Agency Management System

Steve Anderson

5 Steps to Success: How to Choose the Best Agency Management System

In the early 80s, I was responsible for finding, purchasing, and figuring out how to use the first in-house agency management system for an independent insurance agency in Washington DC. Since that time, I've learned a lot about how an agency can make sure they select the very best agency management system for their organization. After much trial and error, I have determined that five critical steps must be taken to pick the "right" system for any agency.

You may be surprised to learn that I have identified 51 different agency management system platforms from 39 different vendors that could be appropriate for your agency. Determining which one you should buy is overwhelming.

Some of these agency management system platforms are old and not really viable anymore. A few of them have been sunsetted by their vendors and are no longer available. There are several that are brand-new platforms created based on current technology.

This course details the critical steps an agency must take to make sure they end up with the very best system to run their agency.

Picking the wrong system will cost an agency thousands of dollars and weeks of lost productivity. Pick the right system and the agency's productivity and profitability will soar! This course will teach you how.

Thinking about getting an agency management system for the first time or replacing the one you have?

This course will help you learn how to select the very best system for your organization.

5 Steps to Success: How to Choose the Best Agency Management System

The five essential steps are:

- Step #1 – Strategy – Why do you want a new system?
- Step #2 – Establishing System Requirements
- Step #3 – What are your options?
- Step #4 – Managing Vendor Demonstrations
- Step #5 – Making the Decision

Let's dive into step one.

Step #1 – Strategy – Why do you want a new system?

The purchase of a new agency management system is an expensive and challenging undertaking. The expertise of insurance agencies is selling insurance; computer concepts and terminology can be intimidating to agency owners, managers, and users alike. Also, despite industry consolidation over the years, agents still face a broad range of choices (more than they realize) in the technology marketplace.

The purpose of this course is to provide you with a proven step-by-step process to help you end up with the very best agency management system for your organization.

The purchase of an agency management system is not first and foremost about computers or technology. It is about the agency, the way it operates now, the way it will operate next year and in the years ahead. A detailed agency system review is an opportunity for your agency to carefully examine its business and make strategic decisions about the kind of agency it wants to become.

5 Steps to Success: How to Choose the Best Agency Management System

Where are you going?

Before agency owners and managers even consider making a change in systems, they need to step back and think about the agency's future. Some of the factors management needs to consider are:

- *Growth*. Will the agency grow rapidly, or will growth be slower and steadier? Will it grow by adding to
- **Staff and Producing** more business organically, or will it acquire or merge with one or more agencies?
- *Markets*. Will the agency expand into new markets? Will the agency be using Internet marketing for lead generation? Will it target larger commercial accounts, or will it focus on small, "Main Street" business or build its personal lines department? Will the agency begin to sell new products, such as group medical and other financial services products and plans?
- *Management*. Does the agency expect a change in ownership or management, due to retirement or other reasons? Is the current management looking for additional partners? If the agency buys another agency, will the other agency's management remain involved?

These are all changes that will affect the technology needs of the agency and influence the selection of an agency management system. Rapid growth may tax the current system. New offices will either need their own hardware and software, or they will need to be able to connect remotely with the computer systems located in the central office. The agency must consider all these things as it makes decisions about how to manage its technology infrastructure.

5 Steps to Success: How to Choose the Best Agency Management System

Reasons you might need a new system:

- **Improved service**. A new system may enable the agency to provide better service to its customers. For example, customer service representatives (CSRs) may be able to retrieve customer billing information more quickly or issue certificates in two steps instead of five.

- **Better performance**. The longer an agency uses one system, the better users get to know its quirks and flaws. A system that seemed incredibly fast when it was new may feel frustratingly slow a few years later when a CSR has a customer on the phone. The system may be prone to crashing or locking up. The agency may have grown its operations into new lines of business that the current system does not support well.

- **More information**. A modern agency requires much detailed information, and the current system may not be able to track all the information the agency needs. Management may want production reports that break down new business premium data by line of business, insurance company, industry, and account size, but the system cannot provide detail that fine.

- **Stronger controls**. Securing customers' information is not only a good business practice; state and federal legislation like Gramm-Leach-Bliley Act and the Health Insurance Portability and Accountability Act (HIPAA) require it. The current system may not have security controls strong enough to meet both legal requirements and customers' expectations.

- **Reduced cost**. An old system may be more expensive than a new one. Support charges can add up to a substantial amount if the system has frequent problems that require contacting the vendor for help. If the agency's staff has grown significantly in size, the system may need an expensive upgrade to accommodate more users.

- **Insurance companies**. The companies an agency represents may offer improved functionality through specific systems. The increased use of real-time interaction between an agent's system and the insurance company system helps substantially reduce the time to handle a transaction. If your current system does not support these processes, then you are at a competitive disadvantage.

Is a change of systems necessary?

The fact that users or managers are unhappy with aspects of the current system does not mean that changing systems are the right answer. The agency should thoroughly investigate the problems and potential solutions before concluding that it needs to buy a new system. It is possible that the agency can solve, or at least reduce, the problems without having to go through the pain of a new system implementation.

The bottom line?

Changing to a new agency management system is a complicated process. You will want to make sure that you are getting the full benefit out of your existing system before you decide you need to change to a new one.

Step #2 – Establishing System Requirements

Once you've decided to begin the process of searching for a new agency management system, there are some steps that you should take.

First, you should choose a "system selection team," a small group that will coordinate the review process and offer their insight on which system best fits the requirements of the organization.

Next, the agency must determine the features of any system, current or future, that are most important and the benefits those features will provide the agency. In other words, the team selected above should determine the system requirements. A system requirement is a characteristic or feature that a system must include to satisfy the agency's business requirements and be acceptable to most users.

Agency System Requirements

To determine and analyze system requirements, the agency needs to answer the following sets of questions:

- How do we do things now?
- Why do we do it that way?
- What should be done?
- What procedures does the agency follow?
- Why do we follow these procedures?

5 Steps to Success: How to Choose the Best Agency Management System

Five categories summarize most system requirements. They are:

- **Inputs**, such as customers' vehicle descriptions, rating data, agency income and expense data, and hard-copy documents that users scan into electronic form;
- **Outputs**, such as claim reports, premium quotations, certificates of insurance, agency income statements, and insurance policies (hard-copy or electronic);
- **Processes**, such as accessing claim status information by either claim number or account number; generating commission reports shorted by producer name, account number, or line of business; or producing automobile insurance premium quotations from three companies for one client;
- **Timing**, such as uploading new applications to insurance companies in real time, backing up all data in the system at 11:00 PM each night, or automatically sending an e-mail reminder on the tenth day of each month to producers who have not submitted expense reports for the previous month.
- **Controls**, such as requiring a second password for access to accounting records, Web-filtering programs that block users from downloading adult-oriented Web pages, and requiring management's sign-off before writing off bad debts that exceed $250.

In addition to the requirements and the categories they fit into, an agency needs to know the current and expected volumes, sizes, and frequencies for outputs, inputs, and processes. The agency's future direction will determine these values.

For example, if the agency plans to double the number of clients it insurers over the next three years, it must expect to input twice as many customer account records, among other things.

5 Steps to Success: How to Choose the Best Agency Management System

How to determine requirements

The agency can employ several different methods for determining the requirements for the new system.

The methods include interviews with management and system users, review of the current system's documentation, workflow observation, review of the current system's output, and user questionnaires.

- **Interviews**. Interviews are one of the most important ways to gather facts about the current system. The team should speak with system users at all levels of the agency.
- **Documentation review**. Even if the documentation is old and a bit out of date, it will give the team clues as to how the system is supposed to perform. The team can compare the documentation to some of the documents that the system is producing now.
- **Observing users**. Observing system users in action may provide the team with information that they did not pick up during interviews. Often, users will perform steps without thinking about what they are doing so they will not mention them during interviews.
- **Questionnaires**. User surveys can provide valuable information on users' opinions of the system and problems with it. The team should allow respondents to be anonymous unless knowing the person's identity would help to assess the information correctly.

Review work and work products. The team should look at the outputs from the current system, including reports, premium quotations, certificates, error messages, bills, and other documents.

The team should now have a clear picture of the agency's needs, the direction in which it is going, and the role of automation tools in achieving that direction.

Step #3 – What are your options?

Now that you know what your strategy is for the agency and what requirements you have for the new system the next step is to identify potential vendors and their products that would be appropriate for you to review. The best way to do this is to create a Request For Information, also known as an RFI.

The RFI serves two major purposes.

First, it acts as a formal statement of the agency's expectations and plans for the system and the selection process. Until now, the team has gathered and analyzed a lot of data but has not created an explicit document that presents the system requirements. The RFI provides that function.

Second, it provides direction to the vendors as to the requirements their systems must meet. If all the vendors work from the same RFI, the agency should be able to make a fair comparison between different vendor's initial information.

An RFI should contain the following elements:

An explanation of the agency's selection process, including the steps in the process and the timeframe for deciding.

A description of the agency. The description should include the agency's mission statement; specific objectives for the system; organization charts; information about the current and projected client base; marketing strategy; carriers the agency represents; and information about the current system.

5 Steps to Success: How to Choose the Best Agency Management System

The list of functional requirements that the team identified. This may be the most important part of the RFI, as the vendors will base their proposals on this list.

Configuration specifics, such as the number of workstations, printers, types and numbers of servers, and the required capacity for growth.

Support issues, including a request for prices for training, help desk support, on-site repair service, and other support areas.

Proposal specifics, including those items that the vendors must address in their proposals.

Once the RFI is created, you can begin the process of researching the various vendors and their specific products that are available for you.

Once you have identified the vendors that are appropriate for your agency send them the RFI that you created in this step. That will begin the evaluation process. The next step is to see the system in action through a vendor demonstration.

5 Steps to Success: How to Choose the Best Agency Management System

Step #4 – Managing Vendor Demonstrations

It is critical for the agency to handle the demonstration process carefully. The vendor will show off the most impressive features of the system, and certain functions may dazzle users.

There are two different types of demonstrations that the system selection team will need to sit through.

1. Vendor Controlled Demo

The first demonstrations will be vendor controlled. This is the initial demonstration from the vendor. During this demonstration, the team will be able to get a good overview of the product and the features contained within it. For this demonstration, you should allow the vendor to do their official review of the system.

It is important that the team members take notes during the demonstration process on what they've seen. It is tough to remember a few days later what exactly you saw between the different vendor systems.

The goal of this first demonstration is to narrow down the number of vendors that you invite back for a more detailed and in-depth demonstration of their product. We suggest that you identify two to three vendors from the first group that you will ask back for a more detailed, and control demonstration of their system.

It is likely that the first demonstrations will be conducted using WebEx or other similar online meeting software. It is important that you set up the room where the team can meet during the demonstration.

5 Steps to Success: How to Choose the Best Agency Management System

Once all the initial demonstrations have been completed the team should evaluate each system and select the vendor and products for which you want more in-depth demonstrations. We recommend selecting 2 to 3 vendors for this final demonstration process. If, however, you feel that there are more than three systems that would be appropriate for your agency can make sure to include those products.

2. Agency Controlled Demo

The second demonstration process will be controlled very specifically by the agency. This is accomplished by providing the vendor with specific written scenarios on standard functions performed by the agency that you require them to perform using their system demonstration. We'll have more to say about this process below.

The team can obtain the information from the vendors they need to make the right decision by following a few rules:

- Know what you want. Keep the functional requirements in mind. These are the high-priority issues that you want to make sure the system will solve.

- Don't get snowed. The insurance industry has its fair share of jargon and acronyms, and the information technology industry is no different. It is easy for a sales representative who works with technology products every day to start using terms like SaaS, WAN, LAN, SQL, HTML, DLL, CAT-5, and others while forgetting that the audience is unfamiliar with these terms.

5 Steps to Success: How to Choose the Best Agency Management System

- *Be in charge.* This is the team's opportunity to find out first-hand what the system can do. Therefore, they should expect the vendor to address the functional requirements that the RFI listed first. Some of these features may be pleasant surprises for the team and may be important factors to consider.

- *Handle accounting separately.* It may be a good idea to have a separate demonstration session for the agency personnel who handle accounting. The accounting area may consume much time, and it will be of interest only to those who work with it.

- *The way you work.* The team may want to send questions to the vendors in advance of the demonstration so that the vendor can be prepared to answer them during the visit. Send descriptions of a few workflows to the vendor for inclusion in the demonstration. The team will be able to see how it will handle the agency's routine activities. They will be able to judge how well the system performs these tasks, and they will be in a better position to compare it to the other systems.

- Discuss. The team should schedule the demonstrations close together. If an extended period of time elapses between the first and last presentations, team members may forget their impressions of the first one by the time they see the last one. The members should meet as soon as possible after each demonstration to discuss their thoughts on the system.

- Keep score. Finally, the members should score each system on how it handles the functional requirements. Keeping score cards, or at least notes with some ranking will help the members compare the systems after each vendor has done a demonstration.

Step #5 Making the Decision

At this point, the selection team will be overwhelmed with information. The key is to gather that information together and put it in an organized fashion so that a final decision can be made.

The score developed by the team members during the demonstration process is one component of the vendor evaluation. However, it should not be the only measure. The team should use other subjective criteria for judging the vendors. Here are a few items to consider:

- *System functionality.* Functionality is the ability of the system to help the agency perform its everyday routine tasks. The whole point of the sales presentations and demonstrations is to provide the team with plenty of information about how the system functions. The team must consider the system's ability to perform a function and how well the system performs it.
- *Evaluating vendor direction.* The vendor is not just a seller of software. For the agency, the vendor is a long-term business partner. Therefore, the team needs to determine the vendor's direction.

They may want to ask questions such as:

1. What is the vendor planning in the way of new products?
2. How will the vendor enhance the system under consideration?
3. Is the vendor moving in the agency's direction on issues such as real-time processing and carrier interface?
4. What is the vendor's track record for delivering system enhancements on time?
5. Is the vendor keeping up with advances in technology? Are they incorporating them into their products?

There are several ways the agency can get answers to these questions.

5 Steps to Success: How to Choose the Best Agency Management System

- *If possible, visit the vendor.* Team members can meet with the vendor's principals, developers, and service personnel. These meetings will give the team a feel for the vendor's personality, and may solidify a relationship with the vendor, raise new questions, or convince the team that the vendor would not make a good partner. Regardless of the outcome, a visit can be beneficial.

- *Talk to the vendor's user group.* Either with individual members or by attending group meetings. The current users will be able to tell the team the good, bad and ugly about the system. They will also have valuable information about the vendor's history of meeting commitments and releasing upgrades on schedule.

- *Talk one-on-one with other agencies that use the system.* Another agency can tell the team about their experiences with specific functions. The team can also get credible information about the vendor's support practices; regarding how long it takes the vendor to return calls and how long it takes them to solve problems.

- *Agency expectation.* The system will affect every part of the agency's operation. Because of this, the team must consider how the agency will use the system. Will it enable the agency to meet its business objectives? The team must also consider how the agency will implement the new system.

- *Commitment of resources.* The team must answer hard questions about how much the agency is willing to spend, regarding the dollar cost of the system and the cost in people's time. The dollar cost of hardware, software licenses, cabling, and other accessories may be substantial. However, the team should compare that cost to the cost of not upgrading or switching systems.

5 Steps to Success: How to Choose the Best Agency Management System

The team's planning and analysis will make the cost easier to evaluate. If the team has identified the new system's functional requirements, they can eliminate from the purchase features or components that would be nice to have but are not essential. They will avoid spending much money on technology for its own sake and instead invest the agency's dollars in components and features that will bring the agency real economic value.

We have found that once this information is brought together and organized one particular system seems to stand out. That certainly helps make the decision-making process easier.

The bottom line

The team should make a recommendation to management on which system they would select and their reasoning for that choice. The ultimate decision does rest with agency management. By working step-by-step through this process, the agency has a much higher likelihood of picking the very best agency management system for their organization. We cannot emphasize the importance of this decision enough. It literally can make or break an organization.

Agency Management System Selection Summit

The Agency Management System Selection Summit helps agencies who think they might need to update or replace their existing agency management system. The Summit provides an easy way for agency owners to compare and contrast the top Agency Management System platforms and vendors.

The Summit helps start the process of deciding which platform might be the best fit for their organization. Developed by Steve Anderson, an acknowledged expert on agency management systems, the Summit consists of about fifteen 90-minute webinars, each featuring a different management system platform handpicked by Steve to be involved.

Learn more