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Search Back issues

IN THIS ISSUE

[Incoming Chairperson's Message](#)

by Andy Ferris

[Words From The Editor](#)

by Maria Thomson

[Characteristics Of Successful Middle Market Companies](#)

by Ben Disylvester, Chairman

[Automated Underwriting: A Survey Of Life Insurer Experience](#)

by Mike Batty

[Automating The Underwriting Process](#)

by Susie Cour-Palais

[Bank Insurance Marketing To The Middle Market Consumer](#)

by Carmen F. Efron

[Award Winning Papers Visions For The Future Of The Life Insurance Sector](#)

by Maria Thomson

[Is There Magic in the Middle Market?](#)

by Cheryl D. Retzloff

CHARACTERISTICS OF SUCCESSFUL MIDDLE MARKET COMPANIES

By Ben DiSylvester

Life insurance companies are nothing, if not "fast followers." Once a company shows success in a market segment, others follow quickly. There is nothing wrong with this approach to markets; it has enabled many companies to survive through the years. However, it does mean creating a continuous environment of intense competition which, again, is not a bad thing. That is, as long as companies understand what it takes to be successful in a highly competitive environment. Further, as the change drivers in the life insurance industry continue to evolve—whether it be regulatory, demographic, buying habits, distribution methods, investment return, expenses, or mortality rates—companies must be on top of their game to not just survive but also thrive in this new environment.

To get insight into the thinking of industry executives, a recent survey asked what they saw as the sources of growth for their organization. Carving out the responses from companies squarely in the middle market segment, the most frequently mentioned responses included: 1) greater demographic segmentation, around age, ethnicity, and gender; 2) expanding distribution methods, including worksite, direct, career, and agency; 3) expanding into new markets, including bank insurance and financial planning; and 4) deeper penetration into existing markets, including retention efforts and acquisitions.

It is good that demographic segmentation was high on their list as the middle market is often defined as including the 41 million households with incomes ranging between \$25,000 and \$100,000 which is 43 percent of all households. In today's world of one-to-one marketing techniques, segmentation is never more important than in this middle market. The needs of someone in the \$25,000 income range are significantly different than someone in the upper range of the income band.

Attempting to be all things to all people will certainly sustain some level of sales.

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However, it is expensive, operationally difficult, and makes differentiation in the marketplace hard to achieve. So what is a company to do?

Based on numerous industry surveys, face-to-face discussions with hundreds of industry executives, and observations of those organizations who achieve high success year after year—as measured in sales, financial strength, and reputation—we have identified seven characteristics of success for mid-market companies. These are:

1. Leadership—Most companies have good leadership. However, how that leadership is focused is what makes the difference. In successful companies, everyone on the management team shares the same clear vision of where the company is headed and can articulate it to others. Further, the goals the company is striving to achieve—in terms of sales, customer satisfaction, persistency, and overall financial strength—are top of mind and guide their decision-making and allocation of time and resources. And in addition to having a clear vision and measurable goals, leaders in successful organizations stay close to the details; creating an environment of consistent behaviors, high performance and learning, and quickly addressing issues that could divert the organization from its mission.
2. Identify and Exploit Niche Marketing Opportunities—Identifying what niche the company will focus on should go beyond knowing which segment offers the biggest opportunity for growth. Whether the alternatives are product, demographic or distribution based, this decision must be made in the context of current strengths and weaknesses of the organization and evaluated in the context of the needs of an attractive niche. It is inherently more difficult to go into a new market due to a lack of knowledge, experience and resources than expand into a market you are already in, where years of knowledge and expertise are part of the DNA of the organization. Whether you are searching for a new niche or energizing the niche you are already in, successful companies develop an entrepreneurial mindset that finds ways to make something work versus a why it won't work mindset.
3. Have a Pulse on the Marketplace through Superior Customer Intelligence—Even successful markets change, due to changing customer priorities, new entrants into the marketplace, or innovation by a competitor. The biggest danger in this area is when people in the company know what the marketplace needs—without having had purposeful discussions with agents or listening to conversations the customer service staff is having with customers—before acting to address those needs. Further, when a company says they specialize in a certain niche, they are saying they know their customers better than anyone else will know them, and they have designed their products and trained their people in this knowledge so that agents and customers know they are dealing with professionals who understand them.

4. **Make Targeted Investments in Technology**–Excellent technology does not guarantee excellent service. Less–than–the–best technology does not doom your organization to poor service. Successful companies target their investments in technology based on what is really needed. This starts with understanding and defining the business requirements and only investing in those technologies containing features that will deliver on those business requirements. For example, agent portals are now virtually table stakes for technology, but this does not mean any agent portal will do. It must be a properly designed agent portal, based on the needs of your specific distribution system.
5. **Service Excellence**–You understand the products and the inner workings of your company fairly well. Underwriting, policy services, billing, premium remittances, and claims are all easily understood. However, to an individual who has never been inside an insurance company, it is all a mystery. Who do they talk to and when they finally get to the right individual, why does that person ask for information that they already should know about me? In this context, easy to do business with conjures up a whole new meaning. Successful companies in the middle market are easy to buy from and are easily accessible when the customer wants it. Whether it is self–service at midnight or through a representative during business hours, it is easy for the customer to access and update their information. One mid–market company that has done an especially good job at this is Unum Group. Appropriately, they call the process Simply Unum because they simplified things by designing products that meet their customers' needs and pricing them for high value. Unum successfully built a seamless process allowing their customers to purchase products, receive service where and when needed, and have their claims handled quickly.
6. **Organizational Alignment**–Successful companies are also sure that what they promise their customers will actually take place when those customers access the operations of the organization. They do this by making sure their structure is aligned with their strategy. For example, if a company distributes product through both an Independent Marketing Organization (IMO) and a career agency model, they understand that these two distribution models are much different in their needs and requirements. To account for these differences, they align their field support, underwriting, and service structure to ensure the IMO needs are met, rather than have both distributions systems go through the same channels. Successful companies also design their rewards based on the attainment of the organizational goals for product sales and service.
7. **Nimble and Quick to Act**–There are many companies who once dominated their niche but became so entrenched in the way they did things a resistance to change built up over time. Successful companies minimize the bureaucracy in their companies. When new ideas come up, they are researched, evaluated quantitatively, and decided upon. These companies have a culture of problem solving and finding solutions with

measured experimentation. Ideas don't linger but are addressed and resolved with appropriate timelines.

With companies looking for growth opportunities in today's economic environment, addressing these seven characteristics and evaluating where your company falls on a scale of one to five, with one being the best, is a good place to start. Rather than fall into the mind-set that things are bad and it is a tough market to sell to, identify the many companies that have actually increased sales in the past 24 months and determine what they have been doing to accomplish that. Break the down-cycle thinking by scheduling off-site sessions with your management team and take them through the typical strength, weaknesses opportunities and threats (SWOT) analysis as a first step in changing your culture to be successful in this potentially lucrative mid-market.

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