

Interview with MAIA President Vaudreuil

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Bob Vaudreuil, president and CEO of the Worcester-based Protector Group and the newly-elected president of the Massachusetts Association of Insurance Agents who will begin his term in January, 2004, agreed to a recent interview with InsuranceTimes reporter Pat Healy.

How long have you been in the independent agency business and how did you get into it?
Vaudreuil: I've been in the business for 15 years after spending 11 years as a certified public accountant. I was senior audit manager for the firm, now known KPMG, and the Protector Group was a client. Dave Grenon of Protector Group was continuing to grow with other agencies and wanted to have more financial expertise on board, so I came in on a different path than most come into this business. I'm not an underwriter but after 15 years I definitely understand our industry and it's a great industry to be in.

Can you provide a profile of your agency?

About 50 percent of our business is commercial property and casualty, 30 percent is employee benefit products/group medical/life and 401k, and 20 percent is personal property and casualty. Property and casualty is going to be between \$75 million and \$80 million this year and employee benefits are going to be between \$95 million and \$100 million.

We're just shy of 100 employees and we have four locations in Mass.

What do you see as the biggest challenge facing the association, and how will you go about addressing this challenge?

The biggest challenges include the commercial marketplace, workers comp and the ability to write commercial auto in the residual market. However, I think the biggest challenge for the association for 2004 is to conduct an updated agency cost study for the 2005 private passenger auto insurance rate hearings. It's no small undertaking. With our legal counsel and actuaries, we will probably spend around \$375,000 and the study will be designed to address the criticisms that the State Rating Bureau and Office of the Attorney General had with this year's hearings, and the key to the success will be agency participation.

It sounds like that might be the hardest part.

Could be, but I believe we'll be able to do it. We've been trying to promote it for the past year in a variety of venues. It's probably going to begin in February 2004 and hopefully conclude by July 2004. We tried to look at why some of the agencies weren't willing to participate and we think some were concerned about the confidentiality of data, and that it won't remain confidential, but our actuary, Tillinghast, does the study and there's no way anyone will know who said what. I think another reason agencies don't participate is they think it's going to take a long time, but we've been working with Tillinghast to simplify the instrument we use for the cost study so its more user friendly and shorter. And finally I think some other agencies believe their participation won't add up and they have a 'pass the buck' mentality that 'if we don't do it some other agencies will do it instead.'

What's your biggest challenge as an agency owner?

By far I think the hiring and retaining of qualified insurance professionals is right on top of the list. It's been more difficult to find talented people to come into our business.

Why, do you think?

I don't think a lot of people coming out of college think the insurance brokerage business is a viable industry to get into. I think they look at the insurance companies side as a viable career. We've had some success lately recruiting out of college if we go to those career fairs. This year we hired two people right out of college.

How are you getting younger people interested?

Most of them want a career in sales, but if you explain to the candidate that insurance is required whether you're in business or if you own a car, there's always a demand, and there's always opportunity and it's a profession that's been around a long long time, and will remain. So, I think that's a compelling argument

Since you have so much experience with Protector Group in staying independent, how about some advice for other independent agents looking to stay independent?

As far as staying independent, no matter what type of business you are in, growth is a key success factor. You have to find ways to grow



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because costs go up and labor goes up and the more you continue to grow, I think the greater your chances of success will be, whether you do it through mergers and acquisitions or through the clustering with other independent agents. I think that is a key success factor to remaining independent in the future.

Do you think that the smaller independent agency is an endangered species?

I really don't, because when you look at Massachusetts, there are hundreds of smaller independent agencies and they survive because their clients are people they know and trust and are in their neighborhoods and like to do business with. They know what to expect from those agents and I think the measurement is that 80 percent of personal lines business is written through independent agents vs. direct writers or captive agents.

Do you see more agencies becoming regional in their approach? Can a state association meet the needs of these members?

There's no question. Whether it be Massachusetts or countrywide, agencies are getting larger. All insurance regulation is on a state level and as long as our state association continues to meet those needs it is of value to those agencies. The services of education, legislative and regulatory lobbying or technical advice are needed regardless of whether you're large or small.

Have you set objectives for your term as MAIA president? What are they?

The cost study is definitely a huge priority. We'll also be entering the fifth year of the Agents Awareness Campaign, where we've set aside \$450,000 to be spent on a campaign which includes 3,600 radio ads on 22 stations across the state.

We'll also be furthering our efforts to recruit and train industry personnel. We simply have to take that initiative. We're also developing products and services in education for life and health insurance agents and more and more property and casualty agents are getting into the employee benefit arena.

The last one, which is moving quite rapidly, is that we're taking a leadership role in reforming the private passenger and commercial auto insurance residual market mechanisms. I can't really get into the details because it's a very active situation right now.

Without getting into details then, the auto

market, including the residual market, has been in disrepair for some time, what are your thoughts on how it can be fixed?

There have to be some changes in which you have access to the residual market and how it is distributed amongst insurance companies that are in business in the state.

How would you rate personal lines markets in Mass.? What are MAIA's concerns about the auto and other personal lines markets?

Personal auto remains a problem. We have 18 companies left in the state, and if you look at some of the problems with the current system it revolves around the residual market and it's the same system. We need a simpler system that makes it easier for companies and producers to do business. We need to maintain a viable and healthy market in Massachusetts as producers need to better address the fraud problem.

The homeowners market, particularly coastal areas, is becoming a major concern. Because of wind exposures companies are unwilling to increase their exposure near the coast, and many companies are not renewing business on the coast or are imposing percentage deductibles rather than dollar deductibles, and I think that's apparent when you look at how the Fair Plan is growing on the Cape, and it's probably the second largest writer of property insurance on Cape Cod.

How would you rate today's commercial lines markets in Mass.? What are MAIA's concerns about the workers comp and other commercial lines markets?

Geez, where do we start? There are probably too few players in the market for commercial lines. It's a difficult market at best. You see costs relating to paid claims continuing to rise, but the rates are at 4 percent. It doesn't present a good climate for anybody writing workers comp.

Commercial auto is a problem and especially for voluntary agencies that need to cede commercial auto risk at CAR. These artificial rules have complicated the situation. It's a game that's being played but is such a waste of time and it places such burden on the voluntary agents that we're sometimes not able to write that account, but there are other agencies out there that are ERPs that have that capability, so I think we need to make the system simpler and establish equal access to the residual market for all producers.

Do you have ideas for changing the association or its priorities?

No, we don't have any major changes in

store for 2004. We are going to do a membership survey and that will let us know how our members feel about the services we're providing, then we'll use those results in June 2004 for annual planning session. So unless something comes up in that survey I think it's business as usual.

How would you rate the job MAIA does serving its members? What do you think some of the answers on that survey will be as far as strong points and weak points?

I think we have many strong points. We have an individual who visits agents on a regular basis. We have education, lobbying, advocacy, technical support and a highly experienced staff, and that always comes through in those reports. I think we're one of the top agent associations in the country. When I take a look at other states, we're right up there.

As far as weak points, I think you can always try to improve on what you do. But we do that. We don't rest on our laurels. I know we need more agent members to participate in the cost study (laughs).

Do you anticipate an active legislative session next year? On what issues?

We do have one major goal for 2004 and that's to enact our bill to change the effective date for private passenger auto rates going into effect from January 1 to April 1. This will give companies an ample amount of time to file their safe driver and group discounts and allow the Division to hold those public hearings. Right now final rates are not available until February 15, which means that companies and agencies are issuing provisional insurance bills from November. This would just save the duplication of work that occurs for several months. As it is now consumers are confused. They call their agent and want to know what's going on, it's just not a very effective system,

What does being president of the Association mean to you?

It's working with a volunteer group of dedicated professionals to advocate on behalf of the membership their concerns and their needs, and that's what's important. □