



Sky's the limit

By Robert L Whiddon

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It took Andy Torelli a while to find out that he wanted to be a group insurance adviser. After dropping out of college he pursued a green thumb before turning to insurance. A buddy was selling life for Metropolitan. It wasn't long before Torelli found a groove, eventually spending 20 years with the seminal carrier, nearly a decade of that in Europe.

Being a leading sales rep, then a leading sales manager, and finally a leading district manager all pointed to bigger and better things for Torelli. He crossed the pond in 1980, only to return and quit MetLife in 1988. The Torelli group was born. While he had focused on individual life sales, all his clients were in Europe. Upon returning to the U.S., he considered the corporate market and thought benefits might be the doorway.

"In my naivete I said, Gee, group insurance would get me there," Torelli recalls. Though it took him a long time to arrive, he's quickly honed his skills at client segmentation, leading his firm through a series of book trimmings in pursuit of the most pleasurable and profitable mix of clients he could imagine. He's not about to try and convert his peers nor preach his approach. The fact that he can say simply that just about all of his clients are fun to work with shows that he's on to something.

Have time, will hunt

Early on in his group life, like many a new hunter, he would bag anything with a pulse, giving no consideration to industry or size. At that point he was still chasing individual clients. Group insurance was an elaborate segue. Regardless, his theory of book engineering was beginning to take shape.

"What I found was some were better transition candidates than others to make that move," Torelli says. "I needed clients that were making some money and that cared about their family and needed life insurance or disability insurance. Not all of them fit into that category."

He also quickly learned that some clients were much harder to service than others. They were laborious.

Size was the pivot point for this criticism at this stage, though today Torelli says size alone can prove a poor metric for judging which client to keep and which to spurn. Small clients often don't have any HR resources. The Torelli Group did everything for the seven-life groups and the nine-life groups they successfully closed.

"So you start taking a look at if it is a profitable business," Torelli says. "You don't think about it when you are getting started because you have plenty of time and nothing else to do, but as you start getting business you start thinking, How do I want to spend my time?"

Vision trumps size

Eventually it became clear to Torelli that service companies were a fit - specifically, financial services, architecture and related engineering firms.

"Some are fun to work with. Some are profitable and some aren't," he says. Since 2000 his firm has undergone a name change and two rounds of client winnowing. "With our client base now, just because of the industry groups and the internal requirements they have to be in their space, I'd say 99% of our clients are fun to work with."

Torelli decided a logical point to sell a batch of clients would coincide with his plans to re-market his firm. He renamed it e3 Financial in 2000.

"As we morphed from the Torelli Group to e3 ... we'd already done the internal evaluations and realized that some of these clients we really didn't want to have," he says. More than size or industry group (both of which played a role in the evaluation), Torelli says the client's vision was paramount. Blind clients don't grow, they are stagnant, and they don't care about their employees, according to Torelli. He adds that they can be downright painful to service.

"All they care about is price. So it's totally commoditized. If they can save two cents on their LTD premium they are moving to somebody else. They are always looking for cheap, which means they are not rich benefits. And generally they don't have the kind of employees where you can segue into any kind of executive benefits," Torelli says.

Vision is central to forming a relationship, becoming a strategic partner.

The newly named e3 Financial sold a little more than a quarter of its business - 45 of about 160 clients. The block represented just 15% of total revenue, however. E3 received a modest down payment, with the remaining payments spread over three years.

Torelli's experience is not entirely unique. More and more brokers are finding that careful client management is crucial to having a profitable and pleasurable operation. Louisville, Ky.-based Matt Schwartz, president of Schwartz & Associates, also found himself out of time and forced to turn inward, reprocessing his book of business. For him personality also proved crucial, a compatible vision essential.

"We had conversations regularly about whether clients appreciate what we do or not," he says, adding that for the unappreciative, "life's too short."

Like Torelli, he found that clients without vision could quickly become painful.

"There are some people that might appreciate the service we provide, the options we provide, some of the educational strategies. There are others that just don't care about any of that. They just want the rock-bottom dollar. They are going to shop every single year. We just decided we don't want to work on them," Schwartz says.

Torelli and Schwartz are simply snapshots of a growing trend. More and more brokers are opting to pare down their blocks of business as they evolve and adapt to a changing marketplace. So much business is being moved that as opposed to simple broker-to-broker deals, major businesses are emerging to satisfy the growing demand for a sophisticated recipient for what Torelli often describes as legacy clients - those that once fit.

Digital Insurance is one such firm. The Atlanta-based company handles both micro- and small-employer business for dozens of the industry's largest brokers as well as numerous regional and smaller independent advisers. Digital's Mike Sullivan, who serves as executive VP and chief marketing officer, says group size can tell much about an employer and how they interact with their broker.

"Size gets back to ... what their level of sophistication is. What their specific needs are. How they view value added services. That directly plays into what an agency's segmentation strategy should be and the benchmarks that they are able to apply to those respective segments," Sullivan says.

More formal methods of segmentation are also common. Some brokers assign grades - often using the familiar A-F academic scale - to their clients depending on size, revenue, and geography among other criteria. Many include a category to gauge temperament or personality match.

"We go through and we've classified every single one of our clients," says John Harkins, a partner in London, Ontario's Selectpath. "I'll look at revenue I'll look at head count. We have a P.O. factor in there. You can have a great client but if they call you 20 times a day are they really a great client?"

Repetition breeds understanding

As fast as Torelli was learning his personal secret to a successful group brokerage, it wasn't long before he found it necessary to sell another similarly sized block, which just pushed him to further investigate and hone his theory of book management.

Several questions emerged for Torelli: "How do we avoid going down that path again where we end up with clients that really aren't suited to our business model? And what do we do in a situation when one of our very good clients refers us to his buddy that has a company that doesn't fit our model?"

The latter questions were answered through the creation of a strategic partnership with a multi-site firm that agreed to take on the business.

"So we're in a position where we don't have to say no to anybody," Torelli says. "We just refer them out and we get a referral fee so we even get paid on it, without having to get sucked back into business that we really don't want."

Sullivan agrees personality is crucial. It's also difficult to judge upfront. His experience shows many brokers have a hard time heeding their own gut in the face of new business.

"Very rarely have I come across a broker with the level of discipline that basically says I went in there, made a very effective presentation and can probably get the piece of business, but I'm going to walk away because of the personality fit.' Quite frankly, a lot of times you don't know until you get into the relationship and into some more stressful times. The stripes don't necessarily appear on the person that you are dealing with [before then]," Sullivan says.

When asked to review all the traditional measuring sticks for finding the right e3 client, Torelli eventually comes back to industry focus. He says that, more than size, determines whether the business is a good fit.

"Often times the industry kind of dictates the personality," he says. And while Torelli won't go so far to say that he's got the perfect book of business, in an era where many firms are more focused on the cost of benefits rather than their efficacy, mining the seams of highly-educated, highly-compensated financial services professionals and white-collar building professionals - asset managers, mutual fund professionals, architects, related engineers - can prove enviable.

"Our financial services companies, for example, they understand that it's all about their people. So you take one of these asset managers one of these mutual funds that we insure. They've got 50 or 60 or 80 employees. They all have MBAs and CFAs, and they are really bright, very successful. They are able to do their thing, which makes those companies successful. They understand that so they want to make sure they are able to attract and retain those kind of people," Torelli says.

Specialization is the key

When pressed to distinguish between his book of business and that of many of his peers, Torelli says it comes down to a question of specialization. Many brokers are generalists.

"They'll take on anything," he says.

One of e3's most powerful selling tools is a simple list of clients, according to Torelli. He says it can confer instant credibility with a prospect. "I guarantee that any new asset manager I'm talking to will recognize and perhaps know those companies personally," Torelli says.

Focusing on this means you miss out on that, right?

Not necessarily.

There are plenty of clients no matter the sweet spot, Torelli says. Of his own, he adds that "there are thousands."

Torelli's got a partner and he's passing along his science of specialization. For at least one member of the next generation of leading benefit advisers it's paying off.

"I love working with financial services companies. Mike [Rankin] is very successful with our architects and engineers, developing a very nice relationship and reputation in that space, which makes him love it more because it makes life so much easier," Torelli says.

