10 Steps to Develop a Successful Affinity Insurance Program

1. Identify the Industry
Identify the group of people or businesses in the same industry. You can use your educational, life or professional experience to define an affinity group. The goal of creating an affinity group is to find a group that will be profitable for you and beneficial for your insured. Make it something that you enjoy and something that can keep your interest for a long time. It is important to create a long lasting opportunity that you can nurture for many years. If you have educational background in management, try management consultants. If you have fishing as a hobby, try professional fishing guides.

2. Show a Need
Without a true need an affinity insurance program will have very limited value. Interview potential insured’s, visit trade shows, tour facilities or work with an association or group of insured’s to uncover a real need.

3. Measure the Risk
If the group has been identified because of extreme claims activity you may need to calculate the profitability of the potential program. The insurance business is like any other business, they are ultimately looking to make an underwriting profit. Some programs may end up being too risky and simply uninsurable.

Do you have the knowledge to put an appropriate risk management plan together to control the claims frequency or claims severity? If not, can you find a professional that can design a risk management plan? Most importantly, can the plan be implemented?
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4. Evaluate your Skills
In order to specialize in a particular affinity group you need to show that you possess a skill unique to the industry and the breadth of knowledge needed to fully implement the insurance portion of their risk management plan.

An interest or hobby in the industry is a good start. However, your insureds are expecting a professional insurance advisor that is well versed in all areas of insurance program management. Insured's want a seasoned well organized professional that plays a strategic roll in their business or personal risk management plan.

5. Specialized Coverage
Every industry has a unique coverage need. Do your research and find a coverage that is not currently being offered or a unique marketing message that connects with your industry on a personal level.

Is the exposure property driven? Do they have a professional liability exposure? Are potential insured's prone to slip and falls or manufacture defect? Are there employment issues that would require Employment Practices Liability or a Workers Compensation specialty?

6. Universe
Research the SIC Codes, Geographic Spread, number of employees, average revenue, number of locations and average property values for your affinity group. Add industry verticals such as retail, wholesale, manufacturing, service, contractors and office classes.

This will give you an idea of the size of your total market. Pick a market and dominate it. If you choose a large geographic region, make sure you are licensed to conduct business in all areas or choose a MGA that can help you with the marketing of your program.
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7. Market Domination

Marketing is key to any successful product launch and a affinity insurance group is no different. Make sure you have the skills and reach to successfully market to your identified affinity group. If you lack the skills or time required to run the marketing campaign, find a marketing firm that can help with the design of implementation of a marketing plan.

Many Carriers and MGA’s will assist with the marketing of your insurance program. Ask for exclusivity and partner with someone you trust. Choose a marketing partner with the experience and reach that you need to make your Affinity Group insurance program successful.

8. Generate Income

The affinity group insurance program needs to have income goals in line with the market universe. Use the numbers uncovered in your market research and create a budget. You won’t write 100% of all potential insured’s. Leave room to underwrite to an eligible class of business, show marketing penetration and close rates. Use these factors to determine premium and ultimately commission income. Don’t forget to calculate future earnings and include a projected retention percentage in the calculations.

\[ \text{Income} = (# \text{ of insured's}) \times (\% \text{ eligibility}) \times (\text{penetration}) \times (\text{close rate}) \times (\text{commission } \%) \]
9. Calculate Profits

You will have expenses, too. Is your program transactional (small premium, large universe)? Approximate the number of staff that will be required to operate your insurance program. Does the staff need to be skilled? Can technology be used to manage your program and reduce cost while keeping customers needs as the primary goal?

Approximate your expenses and then put your numbers to the test. Can you make a profit from the sale of your product? Can the carrier make a underwriting profit? Will your potential clients benefit from the affinity group insurance program that you have designed?

Profit = Income - Expenses

10. Advertise, Advertise, Advertise

Test your program on a few clients and then if successful it’s time to get the word out. Identify your ideal client and go after them. Let them know why it is important to work with your agency. Make sure you identify how the market currently uses the product. What is the tone of your offering? Does your program need to be branded? What is the single minded take away of your advertising?

Evaluate all of the available marketing avenues, including SEO (search engine optimization), PPC (pay per click), PR (public relations and press releases), be a Blog author, Direct Mail, Print Ads, eBlasts, newsletters, etc.