WHITE PAPER

5 SECRET TRAPS OF COMMISSION PROCESS THAT CAN UNDERMINE YOUR GROWTH

GreenWave

Increase Profits. Streamline Commissions.

My name is **Slava Isayev**. I'm the CEO of **GreenWave** – the ONLY full-service enterprise-grade commission software company in the industry with one mission: to liberate, inspire and encourage our clients' growth through the application of innovative technology and exceptional service.

We have spent the last 18 years studying commission processes working directly with CEOs, COOs, and commission teams of insurance agencies, BGAs and IMOs. During these years, we noticed that growth-focused agencies, like your own, always get caught into one of the traps surrounding the commission process. This process, while seemingly simple and straightforward, is invariably very complicated. Any of these traps will cause a bottleneck, slow down and restrict your growth, and make you miss out on profitable opportunities. Even the most advanced agencies struggle because of these.

Today, I want to share with you 5 of them.

Awareness is the first step to a transformation!

Take a breath… Exhale… Read on…

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TRAP 1

TRUSTING CARRIERS TO MANAGE ALL COMMISSION PAYOUTS FOR YOU - UNCHECKED.

Many agencies decide to go this route. Sure, carriers are bigger companies which have a lot more resources to work on commissions. True, commission management is a complicated and, hence, an expensive process. The first temptation is to let someone else worry about it (carrier or your IMO). After all, you're not in the payment processing and accounting business! Why do YOU have to be the one to check every line of the commission statement? With so many people getting paid, someone is bound to notice an error. But would they?

Let's step back and consider these thoughts…

Your entire downline has even less resources than you, and they are tempted by the same thought – if there's an error, someone else will notice the issues. Your upline is better equipped with resources, but their worry is mostly about **THEIR** commissions being correct. If you don't have your own record of what's been sold – your book of business – and how much you're supposed to be making, then you have no way of checking if what you're receiving is correct. Without a powerful commission management system and good records, the best you and your commission manager can do is guess, "That looks about right." Without it, you're not in control, you're at the mercy of everyone else!

Here's a fact: "2018 State of Insurance Commission Management"

$45K/YEAR COMMISSIONS FOUND!

A local agency got a $10K "bonus" from a carrier. Generally trusting, but puzzled by this unexpected "treasure", the principal of the agency decided to investigate. And what he found was a segment of business that should have been getting him additional $45K of commissions a year but slipped through the cracks on the carrier side. A few of the carrier's personnel knew that something happened, knew they owed something, but considered is too expensive to track it down. So instead, they guesstimated the "bonus" due and hoped for the best.

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$500K UNDERPAID COMMISSIONS!

One of the more diligent members of a large IMO decided to conduct a comprehensive audit of the last 3 years of their book of business. What they found was a stunning $500,000 of commissions that were never paid to them, their IMO and to other members. It's just a small bug in carrier's system!

report says that 86% of agencies find up to $50K of underpaid commissions annually! $2.5M-$5M agencies that conduct annual audits of their commissions generally find between $50,000 and $100,000 in under-paid commissions every year depending on how sophisticated their commission process is. That's represents a year of tuition for your kid at an Ivy League school!

Your carriers and your upline are responsible for paying commissions, but they do make mistakes too. You, and only you, are responsible for ensuring that you receive all of the commissions you earned!

Have you ever done a comprehensive commission audit on your business? This is what I mean: checking every app that was submitted, checking every policy issued and its associated commission schedule and contracting against every commission line reported by the carrier! Most of the agencies and BGAs that we talked with for our research don't conduct commission audits to this level because of how hard and time-consuming it is to do without the right commission system – a system of record to keep track of all your arrangements and all the calculations done for you automatically. Yet, this is the only thing that can ensure that your earnings are secure, and you receive all of the money you deserve! What if you could do this on every line of every commission statement instantly, reliably and automatically?

If you could avoid this trap and as a result you had extra $50,000-$100,000 a year available to you, how would you use it?

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TRAP 2

ALL CARRIERS HAVE A STATEMENT IN EXCEL WHICH YOU CAN DOWNLOAD AND IMPORT! HOW HARD CAN THIS BE?

My goodness, I wish this was true!

NOTE!

Our clients were the **Top 50 largest producers** *for these carriers – companies that carriers should most certainly pay attention and cater to. But it didn't help!*

Back in 2010, at the dawn of GreenWave, we thought: "It should be pretty easy! There are plenty of great formats / standards available – NAILBA900, ACORD, etc. Carriers want to set up their large BGAs, GAs and MGAs at the least! A few keystrokes to plug in the list of writing numbers and the feeds should flow, how hard can exporting data be?" A **rude awakening was** to follow!

With the exception of a very small number of carriers that were able to provide quality automatic feeds quickly – Transamerica, Legal & General and Protective are among the first that come to mind – our clients either received a plain "NO", or got a run-around, or sent on a wild goose chase forwarded from one department to the next from one manager to the next. Some tried their best to provide what they could, only to discover that the data available to them was sub-par and it didn't match bank receipts and, hence, could not be used for comprehensive commission reconciliation. Sometimes, a good feed was available, but it would take a long to set up – months generally. In one extreme case, it took a carrier 3 years to set up for one large BGA!

Should we hire a **feed provider?** There are a couple out there that aggregate data from carriers and send them to you directly. We have tried that and they do not work. Feeds are setup per carrier and their timing still depends on the carrier.

If you're thinking to move in this direction, be prepared… You'll be stuck there for months or years – unable to move forward – trapped by garbage data, laced with good data – the imperfections and inadequacies of present technological environment.

We've been there and it took us years to develop the only approach that guarantees agencies and BGAs access to a complete set of **accurate commission data automatically, instantly, and correctly every time.**

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TRAP 3

SUCCESS STORY!

Brokers' Services Marketing Group (one of our clients) got a 30-day notice from their main commission manager, Stacey. They came to me very worried. "Are we going to be OK? What will we do?", they asked? I was able to calm them down – "No worries! Stacey and our team have spent all this time making sure that all the intricate commission knowledge was moved from her head into our commission system and it can now work for you! We'll be fine! We're ready!" And 30 days later days later their commission process continued running uninterrupted.

WE DON'T NEED A SYSTEM! I'VE GOT A GENIUS COMMISSION MANAGER!

We don't need a system! I've got a genius commission manager! Your carriers and your upline are responsible for paying commissions, but they do make mistakes too. You, and only you, are responsible for ensuring that you receive all of the commissions you earned!

Now, imagine this… What happens if she becomes unavailable? What if your commission manager decides to move, retire, gets sick and unable to work or God forbid gets hit by a car? In her head alone, she's got the full knowledge of your business and full details of your livelihood – rules and details of commissions you're to be paid. **If that knowledge is lost, how will this impact your business???** You'd be in bit of a pickle to say the least, right? You will be trapped, unable to ensure your receivables or pay your producers!

Here's another side of this to consider; as with every growing business, you will very soon run into an issue of scalability. There will be more commission statements and lines on those statements than humanly possible to reconcile and validate. Your commission manager will get overwhelmed and she will be forced to cut corners (this will lead to lost commissions – and believe me – we always find those!) or hire more and more commission managers. Your first one was expensive and **time-consuming, will**

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the next one be cheaper and easier? These scalability issues will ensnare you and impair your company's ability to grow.

The final piece of this trap lies in the fact that commission reconciliation is highly repetitive and labor intensive. Let's be honest, people are not made for this! Human capacity (even assisted by Excel or entry-level commission-tracking apps) to handle repetitive lookups, calculations, or any other repetitive task is very limited. If you don't invest into a highly automated system, your company's growth will be compromised. As your sales pick up speed, your commission manager will try to keep up with the increased workload. As she strives to deal with the overwhelming amount of repetitive work, she will begin cutting corners. Eventually, she will exhaust herself. Then finally, when she's no longer able to cope, she'll come to the conclusion that she'd had enough, and you will lose her!

Don't fall into this trap, migrate all the commission knowledge from your people's heads securely into computer! Let people do what they're best at – manage the process and conduct research; and let machines do what *they* do best – all repetitive tasks!

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TRAP 4

THERE'S GOT TO BE A CHEAP APP OUT THERE! HOW HARD CAN COMMISSION PROCESSING BE?

This is where I always remember one of my first life lesson in United States – you get what you pay for! Let's step back and consider these thoughts…

Cheap, off-the-shelf solutions and modules are designed for really small agencies with just a few active policies. They are generally one step up from an Excel spreadsheet. There's a reason for that.

At the root lies the fact that agency management system vendors look at commission processing as something that doesn't drive revenue (it doesn't drive sales). Hence, they invest as little as possible into it. Yet, they are forced to at least provide some commission add-on, because all users ask about it. With this low level of investment, automation and integration with carriers and partners is simply unattainable.

If your agency is that small and you only write one or two policies a month and only get commissions in the first year, you can look up schedules and contracts and reconcile commission without an issue by hand or with help of a cheap app. Grow any bigger than that, and your commission staff will be doing most of the work by hand and you're stuck with tech that promotes manual work! Oxymoron, isn't it?

A LIFE LESSON FOR ME!

I made this mistake with the second computer that I bought in my life. My first computer was a pretty expensive Sony laptop – I loved it. When I bought my second compute (also from Sony), I thought… It's Sony! Big company – less expensive version should be just as good! I'll buy something cheaper to save money! I hated it every day I used! But because I paid for it upfront and didn't return it in time, I remained miserable for the next 2! Lesson learned – don't buy cheap stuff – you don't have that much money to waste!

The result is that you'll be stuck with an app that requires increasingly large numbers of people to run it, has all your current data and provides no way of accommodating your growth! It's just like that old couch that takes up space in your living room. Not comfortable, or good looking anymore, not serving its purpose, but not bad enough to throw away. It takes up space and forces you to shape your life to accommodate this useless obstacle. You're trapped by it, because you're used to it and its ways. The only way to move on is to rid of it as soon as you can, plan and fill the empty space with something that enhances your life – a commission system that serves YOUR purpose and makes your growth unstoppable!

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TRAP 5

A TRAGIC STORY OF THE LOST IMO!

Some of you may have heard this story of an IMO in NC that sailed off proudly – equipped with a custom-built commission system. They spent a reasonable amount of money to build it to match their exact commission model and integrated with all the carriers they thought they would need. They were in business only for a short period of time until they realized that they had to change their compensation model significantly enough to have to completely redevelop the system. Unable to complete this redevelopment project, they finally dissolved, leaving one person to tend to the distribution of the remaining renewals – the only remaining capability of once-awesome program!

Moral of the story: custom software can kill you!

I'LL BUILD MY OWN SYSTEM! THAT'LL DO IT!

To build or not to build? That is the question that raddles mind of all tech-savvy business owners. Indeed, isn't the software made for a very specific, your current case – the best software? If the rules are simple and they'll never change, then yes. That is a big "if", though!

Commission process is only simple at the first glance. Let's see. My agents are appointed at this rate, I'm appointed at that rate and the difference is what I should expect to get. How hard can that be? Sounds very easy on the surface, but the devil is in the details…

Try processing commission statements yourself by hand, ask your commission manager for help and ask them to explain the process and then ask this simple question: "Is it the same always?" You will invariably hear, "Almost." What does that mean?

As many others before you, you will find that in reality the commission process is much more complicated! You must have at your fingertips the everchanging commission rates which in real life are NOT readily available and which are hard to get out of PDFs. They are always very complex and vary by product, commission option, face amount, age, state and many other factors. You must cross-reference them with all of the standard and special deals you made with your producers and other people receiving commissions. Then you have to cross-reference them with the policy information and you better have all the details right there, at your fingertips. Finally, you have to gather commission

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data from all of the different commission statement sources that are different in format and accessibility for each of your carriers and often for different lines of business. But that's not all! Now you need a tool that would be able to apply it all automatically and give your commission manager flexibility to solve any commission issue they may run into. All of that wrapped into a pretty box with word "Guaranteed" on top! How does that sound?

Simple it is not! Building a commission system for insurance industry is immense and is an extremely expensive task! I would know, I wrote the first version of a commission system back in 2002 (took 2 years). It took my team and me next 17 years to perfect it. Even now continue constant research and development to account for all the new challenges which our clients (Agencies, BGAs, IMOs and carriers) keep us on our toes with.

And then comes the maintenance! You have to keep paying programmers for updates to keep up with ever-changing technology and carrier and producer environment. Keep in mind, having a very good programmer to keep up with good updates will cost you $150,000/year and one cheap mediocre programmer will cost you 3 times that in a long run!

So, if you're considering development of your in-house system, BEWARE! In words of the famous captain Barbossa, "You're off the edge of the map, matey. Here there be monsters!"

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GREENWAVE WILL KEEP YOU SAFE

We have invested and are continuing to invest thousands of hours, millions of dollars and countless cups of coffee to bring to you a unique process, a platform and services. They will guide you to safely avoid these traps. By applying pigheaded discipline and determination, we developed **the only enterprise-grade commission-focused complete solution** in the industry. It **covers all aspects of commission management** in an agency from start to finish.

1. Taking control of your commission schedules
2. Designing a powerful easy to manage transparent compensation strategy
3. Setting up a system of checks and balances that will detect commissions issues automatically, immediately and reliably
4. Collecting and massaging commission and policy data
5. Validating receivables
6. Calculating payables
7. Creating commission statements
8. Delivering commission statements to your payees
9. Providing agents with business intelligence on their book of business and commissions
10. Providing reporting for full control of the process

It doesn't matter how many levels are in your hierarchy – one or twenty. It doesn't matter how many transactions you're processing in a commission statement, 100 or 100,000. It doesn't matter how many producers you must keep up with. It doesn't matter how convoluted your compensation arrangements. GreenWave will handle it all for you and **improve your process, increase** your team's **capacity 10-fold and decrease your costs 10 times.**

It's designed to protect you from all current pitfalls of the commission process and enable you to do what you do best which is sell insurance, provide your agents with outstanding service and grow your business.

Now, you can decide to continue doing business as usual, or like Pinney Insurance, Brokers' Services Marketing Group and many other high-performance agencies, you can decide to come with us on this journey and reap the benefits of GreenWave. The choice is yours!

TAKE ACTION!

I hope you have the courage and resolve to take this next step to greatness. Schedule a **FREE** consultation with us at **http://www.GreenWaveCommissions.com** and start planning your own journey.

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