

5 Reasons Why Public Entity Business is Great for Agents

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In the **public sector**, there is always a “need.” There is a need for competent elected leaders to successfully manage towns, cities and other political subdivisions, especially in today’s challenging economy. There is a need for strong superintendents in our school systems to help facilitate the important education of our children, and a dire need for effective teachers to conduct the day-to-day education. And public entities often need volunteers in various capacities and at various times as well.



There is also a need for public entities of any type to have a sharp, experienced insurance agent as their advocate and trusted advisor. Like a good attorney, accountant or other professional, the insurance agent is a resource to the town, school district or other public entity. Whether assisting with contract review from an insurance perspective, recommending additional coverages or helping the insureds save public monies, insurance agents for public entities must respond to the ever-changing circumstances these unique organizations face.

Opportunity in your backyard

If you are looking at ways to grow your book of business in a tough economy and are frustrated by shrinking market segments such as automobile dealers, home builders and contractors, the public entity niche may be for you.

These insureds range from cities, towns, counties and state governmental entities, to stand-alone water-related entities and public and private educational institutions at all levels. Although there are governmental pools in virtually every state for these entities, many opportunities exist for success for the producer who wants to grow this book.

Here are five reasons why public entities and independent agents are a good match:

- **Stability.** Although many public entities with financial issues may be consolidating services, public entities as a market segment will not be going away. Like plumbers, electricians and medical professionals, public entities are a necessity. They do not move, but rather are usually well established with long histories.
- **Client retention.** We all know that client retention is not a slam dunk. However, if you are paired with a strong specialty market, your outlook for high client retention may be very good. In fact, many public entities enjoy long-term relationships with their agents. Producers who deliver value and properly service their public entity insureds will likely reap the reward of retention in a long-term relationship.

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- **Local insight.** They say that "all politics is local." When you think about it, who better knows the local landscape than you? You probably read the local papers, know what is occurring in the general area and have your finger on the pulse of the community. You probably already have a number of contacts within various public entities. Insight and the political landscape are keys to success in insuring public entities.
- **You're a taxpayer.** As a local, tax-paying business, shouldn't you have the opportunity to compete for your local public entity business? "Keeping it local" is becoming more prevalent. You may also pay personal taxes to your local governmental entity so you have a vested interest as a citizen in their success. Many of us patronize certain establishment because they are local and we want to see them succeed. Public entities often follow the same logic. A public entity may look to split lines among local agents so that several agents get a portion of the account.
- **Networking opportunities.** Being the agent for a local town or other entity affords you a tremendous opportunity to network and grow your business. Think of all the businesses that interact with a local government, from technology companies to providers of outsourced services and more. The possibilities are almost endless! Council meetings, projects, referrals, municipal events and other typical settings afford you an opportunity to meet other business people that you would not otherwise have had.

Emerging issues

Although they have existed for years and are used globally, "public-private partnerships" are becoming more common. In broad terms, these are structured relationships between private and public entities in which information, roles, support and authority are shared to provide solutions which neither group may have been able to provide on its own. Citizens are clamoring for services that are cheaper, faster and better, and there can be times and circumstances in which municipalities are hamstrung and need private-sector assistance.

These arrangements can be related to a wide variety of segments. For instance, in terms of real estate, public-private partnerships can range from simple land sales to intricate lease and leaseback transactions. Advantages can include lower capital costs, solutions that maximize value for all stakeholders, expedited delivery, and more.

In addition, public-private partnerships can exist relative to transportation, information technology, public health and more. Through these partnerships, public entities can find innovative ways to deliver valuable services to taxpayers at an affordable cost. Certainly these arrangements require a close working relationship with the public entities' insurance agent.

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Total outsourcing differs, but is another option for public entities to consider. While the entity may give up control over the service outsourced, it may be more cost effective. With rising costs of operations, many have outsourced or privatized such services as municipal waste hauling.

Consolidation at various levels is another current trend. Educational institutions seem to be particularly prime targets for this in recent years. For example, beginning two years ago, a New England state recently reduced its school districts from 137 districts to less than 90. Some politicians have proposed even more aggressive plans; one mid-Atlantic state's governor suggested taking 501 school districts to an even 100. Opportunities for agents and markets shrink overall in scenarios like these, but clearly there is a significant need for involvement and close interaction with the public entities' agent to ensure the newly consolidated entity is properly insured.

Consolidation is not limited to educational institutions. Law enforcement and other emergency services often consolidate to save money in municipal budgets. In one example, a county in the southeast turned over responsibility for its drug task force to the cities and towns within the county. New coverage for the municipality is needed as the exposure was not considered at their last renewal. Reductions in force (RIFs) are not uncommon either in light of budget reductions, consolidation and the elimination of duplication and overlap. These may give rise to an increase of EPL claims, often based on wrongful termination or age discrimination grounds. Public entities must be aware of the impact these often costly types of claims can have on their loss experience.

Read related: "[Succeeding with Public Entity Business: Price vs. Cost.](#)"

Finally, there is a concerning tendency to buy "price" regardless of the "cost" the entity may ultimately pay if the low price bidder they place their coverage with has low sublimits, a lack of meaningful coverage extensions, or if the entity declined key optional coverages. A large uncovered or unfunded claim puts even more strain on an already stressed budget. The public entity insurance agent should advocate for the best "cost" option for the client or prospect as in the long run he will likely be better positioned with the insured for bringing real value and security to the insured.



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