

## Strategic Advisory Boards: Finding a Solution to Unexpected Situations

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**A**s the producer of an insurance agency or brokerage, your business means everything to you. Years of hard work have finally paid off to ownership of your agency but are you prepared to deal with the unexpected challenges of business ownership? Over the course of ownership, you will likely be faced with many scenarios that will have a significant impact on your business. Will you know how to appropriately deal with them when they come along?

Give some thought to the following scenarios: Your chief financial officer suddenly steps down from his post, leaving without notice and without a replacement. What will you do when faced with the unexpected loss of part of your management team?

Or maybe you're an MGA looking to expand your business into another region. To do this, you consider purchasing an MGA in that region of comparable size. How will you ensure that this transaction will go smoothly?

Who will be there to guide you through the process?

Consider implementing a Strategic Advisory Board to help. A Strategic Advisory Board is a group of carefully selected advisors who can assist you in making the right choices for your agency.

### What is a Strategic Advisory Board?

Unlike a traditional board of directors, a Strategic Advisory Board is comprised of members who have knowledge and expertise in specific areas on insurance—for example, an investment banker well-versed in the world of insurance. He or she can help you make wise investments and monitor your agency's growth to ensure future profitable success. Essentially, you are outsourcing to consultants who have expertise in the areas you may be facing challenges.

The goal of the Strategic Advisory Board is to reduce the amount of anxiety a producer may have about his or her agency, and to provide solid, trustworthy business advice to ensure successful agency planning.

The Strategic Advisory Board meets on a quarterly basis, allowing for members to keep abreast of the issues affecting the agency. Now's the time to let your Strategic Advisory Board know of those unsolicited letters asking for the sale of your agency. You should also expect your members to ask YOU questions about the state of your agency in their area of expertise. Each of your Strategic Advisors plays a role in the successful planning of your

business. Because you will have a minimum of four members on your board, you can feel confident that the decisions made will be truthful and in the best interest of your agency.

### **The four basic competencies of a Strategic Advisory Board**

Ideally, your board should be comprised of a minimum of four members with expertise and knowledge in the following areas: Mergers & Acquisitions, Agency Growth, Carrier Relations, and Legal/Tax Advice.

Here's how your Strategic Advisory Board comes into play. Let's say a large regional bank approaches you for the sale of your business. Are you prepared to handle an unsolicited offer for your business? You will be once you discuss this prospect at your quarterly board meeting with your Strategic Advisors. Your Mergers & Acquisitions expert will guide you, along with input from other board members, in making the most appropriate decision.

Because you have already been meeting on a quarterly basis, your Strategic Advisory Board has held you accountable for keeping an up-to-date valuation of your agency. If you do decide to go through with the sale, your Strategic Advisory Board will guide you through the process.

Or you get a letter from a major carrier stating that they are going to cease underwriting in a particular market. You've got a fairly large book of business placed with that carrier. What are you going to do with all of those accounts? How and where will you find a new market? You must move fast to provide options for your clients. If you drag your feet, both you and your clients could end up stranded. Your Carrier Relations consultant will assist you in finding a new market quickly and thoroughly.

Your Strategic Advisory Board

will only be as good as you want it to be. It will be your responsibility to keep your board informed of situations that may or may not affect your agency. And from there on it is your board's responsibility to advise you in the best manner for your agency.

You can feel confident that your Mergers & Acquisitions expert will advise you if faced with an offer for your business—a scenario you are almost sure to be faced with in this time where mergers & acquisitions are more popular than ever. Your Agency Growth expert will guide you in keeping your agency on the right track for continued perpetuation. And your agency carrier relationships will flourish under the watchful eye of your trusted expert in Carrier Relations. And if faced with a lawsuit or tax troubles, you can turn to your Legal/Tax advisor for assistance.

**Selecting your Strategic Advisory Board** When it comes to appointing members to your Strategic Advisory Board, there are several qualities you will want to look for. Ask yourself the following questions: Is this person knowledgeable about their area of expertise in relation to the insurance industry?

Can this person be trusted to keep your agency matters confidential?

You may already have the right person in mind. But if you need help in selecting a trusted advisor, there are several things you can do. First, turn to friends and colleagues for suggestions. You can also check with your local associations for recommendations. If those options fall through, continue your research. Try contacting the head of a well-respected regional bank—he or she may be able to put you in touch with the right investment banker for your board.

When you've finally selected the right candidates and done your due diligence, bring them together for

an informal meeting to make sure everyone is on the right track and there are no conflicts of interest. There is always the potential for disagreements, but you don't want a group that can't work together under any circumstances.

Above all, remember that your Strategic Advisory Board is there to assist you in making the right decisions for the future of your agency. Put your faith in them, and they will no doubt guide you in the right direction. ■

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*Mr. Barile has over 40 years experience in the property-casualty insurance and reinsurance industry. He has extensive experience assisting insurance agents in finding insurance company markets, helping corporations to establish offshore insurance companies, and identifying specialty niche insurance programs for insurers. He also designed and delivered educational programs on the subject of Developing, Implementing and Managing Specialty Niche Insurance Programs throughout the United States.*

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