

CHAPTERS 1-3 EXCERPT

Dear Friend,

If you're receiving this, then you're ready to BUILD HIGHLY EFFECTIVE COMMISSION PROCESS for your company. I'm very excited that I can help you with this! This will get you started and help you get compensation organized. But there's much more! You're less than half-way through the book and the rest is extremely important!

DON'T STOP here! GET your own copy of the ENTIRE BOOK to make sure you also learn how to BUILD, TEST and SCALE commission process for your COMPANY SUCCESSFULLY.

If you'd prefer to learn on other people's mistakes, SKIP TRIAL AND FAILURE and DO IT RIGHT THE FIRST TIME, this book is for you.

You can

ORDER THE BOOK HERE

SlavaIsayev.com/commission-secrets

Thank you!

Slava Isayev

P.S.: Note, we donate to charitable organizations (including NAILBA Charitable Foundation) from the book's revenue, so when you BUY THIS BOOK you also HELP OTHER PEOPLE.

P.P.S.: Would you benefit from over 20 years of experience? Then visit our main site GreenWaveCommissions.com to learn more about help we can provide and to schedule a time for us to talk.

WHAT OUR CLIENTS SAY

Catherine Hallett, CPA

Controller, Hallett Financial Group/Quotacy

Commission Management Secrets is a book about commissions and a whole lot more. It is also a great story about teams, process, and positivity. This book gets you excited to tackle any project you have in front of you. Change isn't easy but working a proven process will produce some awesome results. Get your team onboard and away you go. Enjoy the ride!

Jason Lea

CEO, Brokers' Service Marketing Group

GreenWave has more than paid for itself while improving the efficacy of our commission payments and finance department. It has provided us with the ability to process commissions more efficiently and accurately. A previously manual process has become a mostly automated process, which has saved us tens of thousands of dollars per year in "manual reconciliation and validation hours". The software has allowed employees to work remotely and still be effective as if they were in the office. We've been able to redeploy resources at driving better customer experiences, rather than manually validating and paying commissions. Employees can also be more analytical in their approach instead of just being a processor. As one of their early adopters, I can say that GreenWave has also proved to be a reliable partner for many years.

John F. Nichols MSM, CLU

President, Disability Resource Group

It has been said and experienced: To err is to be human. As a business owner, I have learned that leveraging process accelerates scale and contributes to margin expansion. GreenWave's technology checks those boxes. Furthermore, it has been invaluable for our accounting team, provided greater confidence with our clients and contributed to our bottom line.

Lionel Gusti

IT / Commission Manager

Innovative Solutions Insurance Services, LLC

As a smaller firm, we are always looking at our functions and processes to see what we can streamline to become as efficient as possible. The commission process was one of those functions where technology could be implemented to improve our workflow and create a better experience for our employees, and ultimately our agents and advisors. While we still have a few more carriers to onboard with GreenWave, Slava has been instrumental in getting us to where we are today. He has deep knowledge of the commission process complexity and know-how to translate, guide, and integrate our commission structure into GreenWave. We can see the light at the end of the tunnel and are excited to be fully operable with GreenWave in the coming months.

ABOUT THE AUTHOR



Slava Isayev is the Founder and CEO of SPI Software Solutions and GreenWave.

With **over 30 years of experience** in technology and insurance, he has made it his **personal mission** and his **company's mission to liberate, inspire and encourage his clients' growth through application of innovative technology and exceptional service.**

It was at the age of 12, that Slava cut his teeth programming business and accounting systems and started his career at textile plant in Kostroma Russia – the city where he grew up.

At the age of 19 he won a Scholarship of the President of the Russian Federation – the most prestigious scholarship and the highest award for academic and professional achievement for a student. Only a few students were ever awarded this honor. He continued with his education at Cornell University graduate program with full scholarship provided focusing on mathematic models of business processes.

In 1999 he came back to the United States to work for a technology company in NY, and then for an insurance company in NC. This is where he founded his own company and SPI Software Solutions and GreenWave were born.

COMMISSION MANAGEMENT

SECRETS

HOW TO FIND \$100,000 AND MORE IN YOUR COMPANY NOW?

SLAVA ISAYEV

5 STEPS

TO HIGHLY EFFECTIVE COMMISSION PROCESS

1

Right mindset

Get yourself and your team into correct mindset to reorganize commission process.

2

Organize your arrangements

Get control of your commission schedules and compensation arrangements with your upline and downline. Build a system you can follow effectively.

3

Build it out in your commission system

Choose software for flexibility to leverage your special deals that give you competitive advantage.

4

Audit

Check your buildout to make sure it results in correct calculations.

5

Repeat

Review your process and continue improving it regularly.

Commission Management Secrets

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Additional information regarding the author may be viewed at slavaisayev.com

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First, I want to thank Bryan Durkin for relentless follow up and making sure that I stay on target with writing this book despite so many distractions that CEO of a fast-growing business must deal with. Without his help, advice, guidance and willingness to do the hard work himself when needed, this book would have taken much longer!

I would like to thank the many entrepreneurs, clients, and colleagues over the past 20 years who allowed me into their personal world to understand the business, their goals and challenges that they have to face every day. Their refusal to put up with mediocrity and the willingness to share and to open up to alternative ideas made it possible to analyze, guide, and develop the tools to help businesses and people, so that they could use their talents unrestricted to grow and to be successful and happy on their terms and now. Specifically, I want to thank Don Oxidine, John Knowles, Sam Funchess, Adam Witty, Lee Milteer, John Nichols, Jack Wright, Jason Lea, Eric Chartier, Jessica Heeps, Ryan and Catherine Hallett, Gregory Gusse. Your friendship and wisdom have all attributed to my ongoing pursuit.

I want to thank my team at GreenWave who have been with me on this journey over the years and invested their talents, time, and effort into development of our products and services. Without you it would not be possible to have so many happy clients. Keep aiming for exceptional!

Thanks to my father Pert Isayev, who taught me his father's saying, "always do a good job; bad job could be done without your help", for his wisdom and inspiration. Of course, many thanks to my mom, Ludmila Isayev, for the words of encouragement, help and limitless patience. Thank you, mom, and dad!

I also want to thank my sister Irina Isayev for her help, creativity, sense of humor, inspiration, and support. I always feel you are there for me, even though you are on another continent.

Finally, I am thankful to God who carried me on his shoulders, protected and guided me my entire life. By Your grace I am here today!

MISSION ~~IM~~POSSIBLE

MISSION ~~IM~~POSSIBLE

I feel responsible! I must share the good news!

Every time I meet with commission managers, controllers, CEOs and COOs of insurance agencies, they are looking to solve “the commission problem.” “It’s too manual,” they say. “It’s riddled with too many complications, too slow, too tedious!”; “a necessary evil.” They have been desperately looking for the solution that would untangle that ugly wad of snakes that is commission management. Their searches came up short many times, but they continued looking anyway.

I completely understand! The impact of the commission process on an independent insurance sales and distribution organization must **not** be underestimated. It is a **CRITICAL PROCESS!**

Commissions are the culmination of the agency’s and BGA’s activities – the profit, the end result, and the fuel for growth. And, when leveraged properly, it will make an outstanding impact on your organization.

This is the good news! There is a solution that works every time!

Let me tell you a little story about what got me excited and what ultimately put me on path of pursuit of highly effective commission process...

EXTREME CASE OF ORGANIZATIONAL CONSTIPATION

At the dawn of the 21st century, when our company was still just a custom software development shop, a friend of mine introduced me to a team from a group benefits, life and health insurance general agency in Upstate New York. They were in trouble!

Volume of their sales was large. They wrote so many policies over the years that processing monthly commissions required 25 people who worked on this task full time, even with the assistance of a partially operational homegrown system.

At that point, they were barely getting the job done, and the company was facing a challenge – **they could not grow**. Managing processing quality across more than 25 people was becoming “a nightmare,” and adding more people was no longer solving the problem; they were getting diminishing returns. As a result, this became the issue *numero uno* for the principals. If not solved, they would have to tell the salespeople to slow down – and that’s a big NO-NO – you never want to do that!

Their until-now well-oiled machine got “stopped up”!

It was at this point that they turned to us for help with automating their process and eliminating (or at least reducing) the need for tedious manual processing. Four other companies were asked to bid on this project, but according to the client’s project manager, they turned the project down because “it could not be done; too complicated; an impossible mission.”

The path to a solution was not easy or short. Our teams worked together day and night for many months learning the existing process, devising ways to improve, reorganize and automate it, and get the commission department to **actually use it**.

At last the system came online and started doing the first live set of calculations. It was exciting! I remember one of the commission managers saying, “We loaded the data, ran the calculations, audited the results for a week and, ‘Oh my gosh! They were all correct!’”

The large improvement, was apparent immediately, and became **dramatic** over the next three years. The volume of sales of the general agency tripled! But it was not enough! Now, only **two** people instead of 25 were involved in managing the commission process. That was an incredible cost reduction for the commission process. But wait! Not a single person got fired. Credit for this is owed to the leadership, who cared and valued their employees and were very wise to recognize that there’s a better use for them than working for someone else. The agency retrained the remaining 23 people to assist agents with the administration of the sales process. Now agents could be freed from keeping up with records and could focus **exclusively** on sales.

Result – 3X Revenue, 10X profit!

Mission Impossible? I think not!

What a ride! Can you feel my excitement?

FREEDOM FROM THE COMPLICATED, TEDIOUS MANUAL; FREEDOM TO GROW

At that time, I did not realize just how many insurance organizations (agencies, general agencies, BGAs, carriers) struggle with the same issues. As years went by, nothing was changing for the better, and no other solution was coming to their rescue. I started feeling responsible! There were so many people out there that are enduring loads of manual

work every day! There were so many organizations that could be growing faster and with so much less pain!

I had to do something! I had to help!

And so, GreenWave was born! Ours is an organization built to bring software and services to insurance distribution with one goal: **to help our clients eliminate manual, complicated, and tedious work out of their organization and life, to help them grow.**

SO, WHY AM I WRITING THIS BOOK?

Over the past 20 years, I've had the privilege of helping many independent insurance sales and distribution organizations establish highly effective commission processes. These have scaled well, as the organizations grew twice, thrice, five times their original size and more. These companies have rebuilt their commission management process and armed themselves with our services and software.

Today, our clients process over 100 million transactions per year. We integrate with over 80 carriers. We also integrate with all major agency management systems, so you don't have to do double entry. And we are the only fully automated commission system on the market (we focus primarily on companies providing life, annuity, disability, LTC, health, group benefits, Medicare and other senior products). We've learned so much working together with our clients' teams!

I am happy that we were able to help them and I'm happy that they are enjoying a better process and a better life. But there are still so many companies and teams that COULD enjoy commission management as it

should be – smooth, reliable, fast, resilient, and even enjoyable and fun (better believe it!).

And this is why I wrote this book: to tell you that highly effective commission process is possible and achievable today! And to help you and your people build a better organization, better job and better life. I want to share proven ways of building a highly effective commission management process for your company guaranteed to maximize profitability and achieve unprecedented commission speed and precision.

IS THIS BOOK FOR ME?

It is the leaders' shoulders that bear the responsibility for the success of your agency, GA/BGA, FMO/IMO, no matter the size! And it is you – the leaders – that can make a true difference!

If you are in a **position of leadership** in an insurance sales and distribution organization (agency, GA/BGA, FMO/IMO, etc.), this book is written for you!

Principals and CEOs. This book will give you a better understanding of what it takes to build and run a highly effective commission management process in your organization – a process that will allow you to maximize the company's profitability and allow you to get the most out of your team and other resources in which you are investing. If you want your commission process to operate as a high-performance, well-oiled machine that works and scales reliably and without the need for your constant supervision, this book is for you.

CFO, COO. This book will help you focus on those areas of operations that will produce the biggest effect and will make the biggest difference

for the entire organization. It will help you build a better team and better process. It will also help you to better communicate your challenges and your successes to your principals and CEO. If you want to build a more effective, more resilient, and faster moving team that has your complete confidence, this book is for you!

Controllers and Commission-Managers-in-Charge. This book will help you better organize your day-to-day process, minimize stress, and build a more interesting and fulfilling job for yourself and your team. It will also help you make a difference in your company, position yourself as an irreplaceable team member, and open up new opportunities for growth within your organization. If this is what you're looking for, this book is for you!

DOES THE SIZE OF MY ORGANIZATION MATTER?

Absolutely! Challenges are tremendously different between smaller and larger organizations. Different sizes presents different constraints – structural, financial, cultural. Current size together with the target (future) size ultimately determines the path that you have to choose through the labyrinth of growing the business.

1. If you want to grow big, operate as though you already are.
2. Focus on what matters at your level, and on building things that will matter on the next level at the same time.

I found that keeping these two thoughts in mind helps you keep your focus on the right things.

With that said...

Leadership of a smaller agency: As your sales are still building up, you can get away with taking a lot of shortcuts (and so you should), and keep your process simple. Once your company gains momentum, proper commission management will become critical. If you haven't already laid a solid foundation for a highly effective commission process, scaling up will be very painful. This book will help you be better prepared and plan for the challenges that await you and will help you avoid common costly mistakes.

Leadership of a midsize agency: You've achieved financial stability and your sales are growing fast. Making sure that you can bring this harvest (commissions) home and not lose it along the way is very important now. You must step up your game and begin building a highly effective commission process – you need it now and you will need it even more as you continue to grow. This book will help you address ALL of the areas of the commission management process and help you avoid growing pains.

Leadership of a large agency, GA, BGA, FMO: A comprehensive business system for managing commissions with high effectiveness and high efficiency is a **requirement** for a larger organization. Without it, you're losing multiples of \$100K per year. This book will guide you through the critical components that must be addressed in such a system so you can evaluate, fine-tune, and maximize the output of your existing process.

HOW TO READ THIS BOOK

From start to finish is my preference! But how you read is your choice and depends on what you're trying to accomplish. So, I organized each chapter to help different types of readers. Most of the chapters consist of three parts in this sequence:

1. A story of a fictitious (but based on combined experience) company Stromberg & Mann as they move forward and become successful with setting up a highly effective commission process using GreenWave software and services. This part is meant to be more entertaining and includes real-life inspired discussions and interactions between our teams that you can use to help you create a similar commission process for your company.
2. A theoretical part or two or more. In these, I cover additional topics that can also help you in building your own highly effective commission process, but it wasn't feasible to include this into the first part. This part might be a little drier, but it's no less valuable.
3. Takeaways summarize the first two parts for those of you who read them. Some of you may decide to start there to get a hint of what will be discussed.

I hope this helps you achieve your individual goals.

FINALLY, BEFORE YOU READ THIS BOOK...

I'm so proud of you! The simple fact that you're reading this book already puts you ahead of your competition, who will continue struggling through trial and error, endeavoring to reinvent the wheel yet again, and complaining about "the evil commission process." Let them be.

Learn the strategies and tools I share here! They will guarantee that you will be able to build a highly effective commission process that will scale up with your organization. But just learning is not enough – knowledge is worthless without application.

Unfortunately, most people will read a book and stop at that. All the knowledge will eventually wither away and be forgotten. Be better than that!

You **MUST** begin implementing these tools right away! This is what will make the difference. Start by reviewing your existing process, identifying critical spots, and then improving the process.

Good luck and Godspeed!

Slava Isayev

P.S.: I wrote this book as a story about onboarding a new brokerage. The story does have roots in my combined experience of implementing commission management process for our clients. However, Stromberg and Mann brokerage, its people, related events are fictitious and any resemblance to actual persons, living or dead, or actual events is purely coincidental. I hope you enjoy the read.

P.P.S.: When you are ready to build your highly effective commission management process, give us a call – we would love to help you! Refer to Contacting the Author and GreenWave at the end of the book.

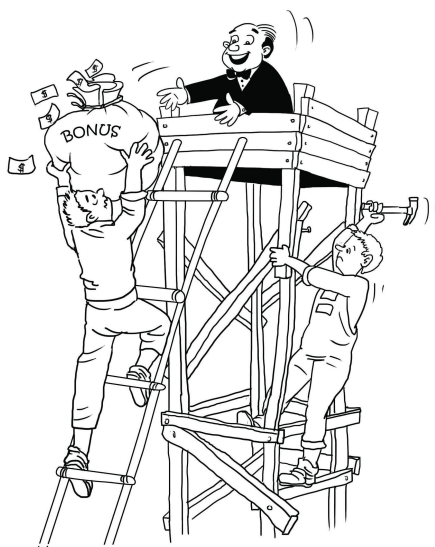
**WHAT'S KEEPING US FROM GREATNESS
(PROLOGUE)**

WHAT'S KEEPING US FROM GREATNESS (PROLOGUE)

January in North Carolina can be unexpected. One day it feels like spring with a beautiful blue sky and sunshine at 50°F, and the next day, with no warning, the temperature rushes down to 24°F. The blue turns to milk and the heavens give birth to myriad fluffy snowflakes descending calmly to swaddle the grass.

It was on one of those peaceful days that I received a call from Mark Stromberg.

“Hello, I am Mark with Stromberg & Mann Financial Advisors. I’m looking to get a new commission management system for our brokerage, and I heard that GreenWave may have something that could help.”



“Happy Wednesday, Mark! It’s very nice to meet you – I am Slava Isayev – pronounced like LAVA with the letter “S” in front of it. You are in the right place; we just **might** have something that could help. Can you tell me more about yourself, your company, and what brought you to me?” I responded.

“Sure... I’m one of the founders of our brokerage – the Stromberg. My partner and I started it over 10 years ago. We focus on selling life and annuities products primarily, but 20% of our business is made up of disability and LTC. We started with three people and business has been good for us. We’ve grown a lot over the years. But now that we’re bigger, the volume of the commissions is much higher, and I’m concerned that we’re not getting all the money we’ve earned.”

“I understand. Bigger money, larger risks. How many employees and agents do you have in your brokerage now?” I asked.

“We’ve grown our team to 22 people with over 600 producing agents over the years. Almost half of those agents we added just in the last two years. All of them of course want to get paid as quickly as they can, so we’ve been appointing them to get all commissions directly from the carrier – wherever possible – so we don’t have to worry about it. But reconciling carrier commissions and bonuses from our IMOs to make sure we’re not losing money is becoming increasingly difficult. I feel there’s too much manual work involved with our current module that can’t do everything we need. Last year, we put our commissions through an in-depth, expensive audit and found an error that we missed and that could have cost us over \$70,000 in just last year’s commissions. That made me think... How many errors **do** we miss?! ‘None,’ my commission manager says. Given what we found, I’d like to make sure!”

“You hit it right on target, Mark. Without a software system, commission processing can be very manual-labor-intensive, which makes it highly repetitive and tedious, and those two things breed error. In fact, our recent study of 2,000 agencies and BGAs showed that 84% of them found errors up to \$50,000. The remaining 8% and the other 8% found errors up to \$100,000 and over \$100,000 respectively. And they were

also very concerned about errors they **didn't** find. Another study showed that over 30% of an agency's revenues are lost due to errors, related customer service hours, and unnecessary manual labor. Not to mention the hit your credibility takes when your top producers (and not you) find they're shorted."

"That's true!" said Mark. "We just lost one of our top producers last year because of this. He said he was just tired of waiting for us to solve the "commission problem" and he went to another agency that was able to be more accurate and transparent about the compensation and was able to pay him faster."

After a long sigh, he continued: "My other concern is this: Karen – my commission manager – is great! She has been working with us since the beginning and she knows all the intricacies of the commissions. She has been complaining about how it's been getting and harder and harder to do every month. It worries me to think, *What's going to happen should she get tired of this and decide to find another job? What if she gets sick, or, God forbid, worse?* We've got her assistant Bruce learning from her, but I don't think that's enough. We have invested into one of the two leading systems in the industry."

He pointed out the companies and their systems. We have worked together with both of those for many years and integrated with both systems.

Mark continued: "Our system works well for new business, but we haven't been able to use the commission module, to my regret! We have considered their competitor's system, but that one didn't work for us either. I think, we need something different – something automated, precise, and something we can grow with! I think it's critical for us that this problem is solved once and for all! We can't continue growing as

fast as we have without having a good system in place. I think solving this challenge is strategic to our company. We have even considered building our own commission system, but we don't really want to be in the software business – we're an insurance company! And that is when people from both leading companies mentioned GreenWave. Aren't they your competitors?" Mark asked.

"I guess you could say that, Mark, when it comes to commissions. Both are good Agency Management Systems (AMS) with a commission module, but they have been sending business to us because they realize what their software is capable of and where additional help is needed. Both systems are good for managing policies, agents, and new business, so we integrate with them and allow their client to continue managing their records in the system that they like. And when it comes to commissions, those get handled through GreenWave." I said.

"It's good to hear that you integrate! Redoing *all* the systems in our company would be too painful and it would have my people very worried. Plus, outside of commissions, our current system works well for us. So, do you think your software can help us handle all of our complexities?" Mark asked.

"Mark, it's true – we do have a software called GreenWave Commission Management System that is highly automated and very flexible. We have built it specifically to solve commission management process challenges in the most effective manner and to scale as you grow. I also agree that commission management is a strategic part of agency and brokerage business; in fact, 92% of agencies we have asked that question agree with you. But a permanent solution to the challenges of commission management will require more than just software. It must start with your

people and process. To quote my favorite authority on the subject, Bill Gates says, ‘The first rule of any technology used in a business is that automation applied to an efficient operation will magnify the efficiency. The second is that automation applied to an inefficient operation will magnify the inefficiency.’ So, starting our relationship by dropping a piece of software in your lap and letting **you** figure it out on your own seems like the wrong thing to start with. This will require a different, in-depth approach, so that the effective solution for this area of business is assured. I’d want us to start by taking a deep dive into your **current** process and compensation arrangements to pinpoint areas that are great and areas that need improvement. Then together, we will build a compensation system and process conceptually to make sure we cover everything. And finally, we will document, verify, and implement it together within GreenWave while training your people to use it. What do you think about this? How does it align with what you’ve been looking for?” I asked.

“I think this sounds very exciting! Reviewing and rebuilding our internal process, enhanced by a flexible software package, sounds like just what we need! How do we begin?”

“I’d love to meet with you and your commission team and talk through your current process – its steps, challenges, team member functions, and insights. Say, this Friday?”

“That sounds like a good plan, Slava, but can we do it next Thursday instead? The team is now in the middle of closing the month. I’d like them to have time to pull some information together for the meeting. Also, will you also be able to show your software to us?”

“Of course, Mark! I’ll see you and your team next Thursday!”

THEORY: 5 COMMON TRAPS OF COMMISSION MANAGEMENT

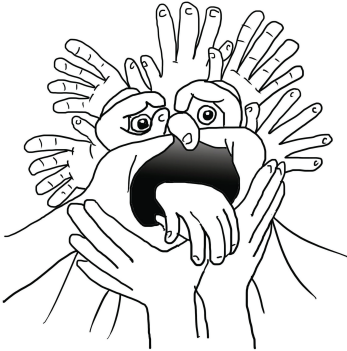
As you're pondering your own commission challenges, you need to watch out for the hidden traps that can get in the way of your being able to implement a successful commission process. **Having the right mindset** is critical! All traps start there.



TRAP #1: THINKING THAT COMMISSIONS ARE “SIMPLE”

Commissions may seem simple. You take premium, you multiply by rate, you get the result, right? It seems really straightforward. However, if you dig deeper, you run into complications, which come in different shapes and sizes.

Let's look at all the different hands in the pot that are involved in the sale of one policy and in collecting the money. We start with agent,



Enough hands in the pot?

agency, and GA (and there may be several levels of those). Then we have BGA, IMO, and finally, carrier. Each company has its own process and its own groups of people responsible for all the necessary transactions. Having so many organizations, people, processes, and software systems in the mix can create problems.

Another complication is the custom deals. Custom deals are great because they allow you to get business you otherwise would not have gotten. They help you attract a top-level sales force and reward the agents appropriately for their outstanding work. But at the same time, custom

deals create clutter because you have to track those deals for at least 12 months and they're different from everything else you've done.

Custom deals may be rare, but each must be reconciled. If your policy is paid over multiple years, say 35, that means that for the next 35 years, you're stuck handling this policy differently than everything else. Multiple transactions over several months or years can make things difficult.

But that's just the tip of the iceberg. When you start looking at the actual process and at what commission managers do, it gets even more complicated.

- Commission schedules are often not available or are intentionally not disseminated by carriers. The carriers don't want to create confusion, so they focus on the top-level organizations only and they hope the schedules trickle down. But this causes delays, and it can seem as if nobody knows what the actual payout is supposed to be.
- Contracting and compensation arrangements are similar: lots of manual labor, no automation, long delivery times, and other complications.
- Commission statements require a lot of massaging. Very few carriers have good feeds. As we examined different commission feeds, we found that 85% of feeds did not match what was actually deposited into the bank account.
- Sometimes there are no automation tools to help communication with agents. Some bigger agencies may create special tools, and that's a great idea. But not everybody can afford such high-priced technology.

- Different lines of business work differently. This can cause a lot of trouble because you train people in one line of business, but not another. And you take a different approach in disability versus annuity, or annuity versus life, for instance.

So, what's the solution to all the complications of the commission process?

It starts with changing your mindset. You must accept, and expect, and plan for complications.





TRAP #2: TRUSTING CARRIERS TO MANAGE ALL YOUR COMMISSION PAYOUTS UNCHECKED

Many agencies decide to go this route. Sure, carriers are bigger companies that have a lot more resources to work on commissions. True, commission management is a complicated and, therefore, an expensive process. The first temptation is to let someone else worry about it (carriers 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?

\$45K/YEAR IN 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 an additional \$45K in commissions a year but slipped through the cracks on the carrier side. A few of the carrier's personnel knew that something had happened, knew they owed something, but considered it too expensive to track down. So instead, they guesstimated the "bonus" due and hoped for the best.

Let's step back and consider these thoughts...

Your entire downline has even fewer resources than you, and they are tempted by the same thought – if there's an error, someone else will notice the issue – you! 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 whether 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: The 2018 State of Insurance Commission Management 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 underpaid commissions every year, depending on how sophisticated their commission process is. That 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? 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, time-consuming and expensive 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 that 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 have extra \$50,000-\$100,000 a year available to you, how would you use it?



TRAP #3: SETTling FOR A CHEAPER SOLUTION THAT'S ONLY CAPABLE OF HANDLING A PART OF YOUR BOOK OF BUSINESS

Many companies try to handle life and annuity commissions in commission modules of their AMS, because it's generally a cheap add-on. But when it comes to other lines of business (e.g. health, Medicare, LTC, group benefits, etc.), they handle it elsewhere or do it by hand. As a result, they have to train people on two or more processes and software packages. Reporting becomes difficult because you have to combine data from disconnected sources. The list goes on. Additionally, cheaper options come with various limitations in functionality and customer service.

Remember the saying "Stingy pays twice" and avoid automatically going for the cheap option.

When you look at all the different software solutions out there, and you make your choice, just follow this principle: Why settle for less? You want it all and you want it now. Why wait? Look for specialists who make software to fit your needs. Look for the biggest and best solution that's right for you.



TRAP #4: FOCUSING ONLY ON TODAY'S CHALLENGES AND NOT LOOKING AHEAD

Many people look at what they need today and focus on solving today's problem. This seems like a good approach at first and it may work for a little while.

After all, why buy something you do not need yet? Why fix something that's not broken?

This approach is shortsighted, and it is especially so when it comes to commissions. Think about this: If you buy new commission software or services, how long will it take you and the team to get used to it and become effective and proficient? The studies say, several months. For those several months your team will not be on top of their game. They will be struggling to catch up. The team will be going through growing pains.

To avoid this unnecessary pain, you must stay a step or two ahead of the game. If today's commission processing with Excel spreadsheets is good enough for you, but you're expecting the need for a more automated solution in six months, you should start shopping for it now.



TRAP #5: BUILDING YOUR OWN COMMISSION SYSTEM

To build or not to build? That is the question that rattles the minds of all tech-savvy business owners. Indeed, isn't the software that's made for a very specific case – your current case – the best software?

There are a few thoughts to consider here and the first one is this: You're an insurance brokerage. Is developing and maintaining software your core competency? Does it align with the primary goal of your company? Are you doing it for the right reasons?

The second thought has to do with how complicated commissions really are. The commission process is only simple at 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, 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 have before you, you will find that in reality the commission process is much more complicated! You must have at your fingertips the ever-changing 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 data from all of the different commission statement sources

that vary 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 will 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?

A TRAGIC STORY OF THE LOST IMO!

Some of you may have heard the story of an IMO 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 before 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 their once-awesome program!

Moral of the story: Custom software can kill you!

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

And then comes the maintenance! You must keep paying programmers for updates to keep up with ever-changing technology and carrier and producer environments. And you know how expensive that is!

So, if you are considering going down the rabbit hole of developing an in-house system, BEWARE! In the words of the famous Captain Barbosa, "You're off the edge of the map, matey. Here there be monsters!"

START BY GETTING INTO THE RIGHT MINDSET

I want to give you a little peek at the secret. The secret is not a quick fix. Building anything good takes time and it starts with your mindset. Tuning your brain into a correct wavelength will allow you to notice things you otherwise would have missed. As Louis Pasteur said, “Chance favors only the prepared mind.”

The next thing is to realize that your company is unique and that is your biggest asset. With rare exceptions, your company was built because someone thought they could do the job better by doing things **differently**. And therein lies your competitive advantage. As you build a better



commission process or any process in your organization, you must be sure that you’re not doing it at the expense of things that make you unique.

Look objectively at what you are trying to accomplish and don’t let anyone tell you how to run your business. Unfortunately, I see this often, that an agency buys a system, and they start molding their business to that system. I believe it should be the other way around. The system or software that we bring to you should empower you to do your business better in that unique way that you have envisioned.

Then decide for yourself, and be 100% on board with this, that effective commission management is **important** for you. If you are an individual agent or a small agency and you’re selling one or two policies per month and receive no renewals, how much of a process do you *actually* need

to manage commissions effectively? Probably, a very simple manual process will do, because you personally know every single policy you sold. However, we've noticed that once you reach a threshold of about 20 policies per month, manual commission management becomes very time-consuming. And once you get past 600 policies per year (about 50 policies per month) writing life, annuity, disability, and LTC, manual commission management process is no longer feasible.

The next critical thought is that you should establish a good commission management process *before* you get to the point where you no longer can manage it by hand. Keep in mind, getting any smoothly running process in place takes three to six months, which means you have to start thinking about addressing it at least that much in advance.

Thinking about this? Are you ready to move forward? In the next few chapters, you'll be able to follow our friends at Stromberg and Mann as they are building a highly effective commission process for their organization.



TAKEAWAYS

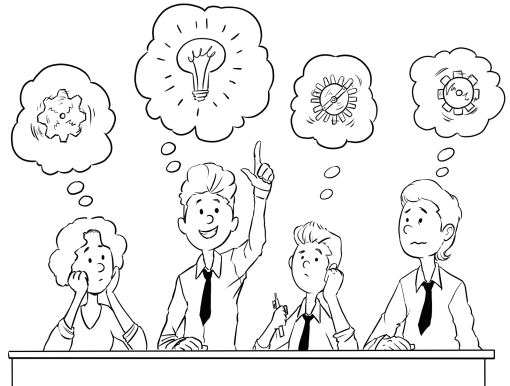
- Manual processing (even with Excel) is guaranteed to have errors. It is in the nature of humans to make mistakes.
- Over 30% of revenue in agency and brokerage is lost due to errors and unnecessary labor.
- Top producers demand fast payment and transparency of commissions, and they flee when it's not delivered.
- You can't grow if your commission management process does not scale.
- A permanent solution to “the commission problem” requires more than just software. A systematic approach is needed: *PEOPLE* multiplied by *PROCESS* multiplied by *COMPREHENSIVE SOFTWARE AND SERVICES*.
- Many mindset traps can lead you astray and cost you time and money. Avoid them!
 - » Trap #1: Thinking that commissions are “simple”
 - » Trap #2: Trusting carriers to manage all your commission payouts unchecked
 - » Trap #3: Settling for a cheaper solution that's only capable of handling a PART of your book of business
 - » Trap #4: Focusing only on today's challenges and not looking ahead
 - » Trap #5: Building your own commission system
- Start with getting into the correct mindset.

MEETING THE TEAM

MEETING THE TEAM

Thursday came with sunshine spreading smiles, glittering in the streams running from last week’s snow and twinkling in the eyes of the kids heading for school.

I got on the web meeting a few minutes early so I could greet arriving people. To my surprise, Mark had already beat me to it.



“Happy Thursday, Mark!”

“Indeed,” he chuckled. It didn’t sound like he actually meant it.

“You don’t sound very convincing, Mark,” I smiled. “What’s going on?”

“We’re dealing with a few issues closing the accounting. Karen—the main person who would be using your system—has been on the phone with the carrier’s support team for the last hour trying to figure out why we got shorted 20% on this block of life business. She may be a few minutes late for our meeting, so I wanted to catch you a few minutes early, make introductions and get the conversation started.”

“No problem, Mark, I understand.”

“Ah, looks like Jeanne has arrived. Jeanne Masterson is our chief operating officer.”

“Happy Thursday, Jeanne!” I said.

“Haha! Happy Thursday, Slava. Mark has been talking a lot about your software. Sounds like you may be able to help us figure out the commission.”

“Hello.” said another voice on the phone.

“Hi Bruce!” said Jeanne. “Bruce McOrson is the commission manager helping Karen.”

“Welcome Bruce. Happy Thursday!” I said.

“Happy Thursday?! Karen said she’d be joining in just a minute. Sounds like the carrier’s support team is finally starting to figure something out,” said Bruce.

“Okay. I hope she comes through soon. Slack her that we’re all in the meeting and waiting on her,” said Mark. “While we’re waiting, Slava, why ‘Happy Thursday’?”

“Oh. I started doing this a couple of years ago. One Monday was especially tough with many challenges, and I wasn’t in the best of moods. But that day something turned within me. My spirit just refused to be subdued by the pressure and depressing thoughts. I thought that this day is a day of my life and I was not about to settle for a mediocre day. I was determined to have a **good** day no matter what and make sure that people who surround me enjoy the same. So, since having a good day for me is generally associated with smiles, I went downstairs and blurted

out ‘Happy Monday’ to the first person in the hall. Naturally, he was surprised a little—how often do you consider Monday to be happy—but he thought it was funny enough to turn his frown upside down and he told me ‘Happy Monday’ back. I could see his day turning for the better and mine was too. After repeating this with a few other people and having a couple of unexpected and pleasant conversations, I was convinced that I want **every** day to be like this! So, I’ve been saying ‘Happy Monday, Tuesday, Wednesday, etc.’ every day!”

“How interesting. It did make me smile each time you said it,” said Mark.

“I like that story!” added Jeanne.

“Sorry guys, I’m finally here,” said a new voice that must have belonged to the one missing member of the team we’d been waiting for.

“This is Karen Malkowitch, the commission manager responsible for making sure we’re paid correctly, and that we pay our producers correctly.”

“Mark, this carrier is killing me. Took over an hour for them to figure out that they got their hierarchy setup wrong! But they’ll be fixing it now, so we should see the missing money on the next statement—I hope! Sorry again, guys!” said Karen.

“So, now we have everyone here. Slava, I told everyone about our earlier conversation and we’re very much looking forward to the demo of GreenWave. Hopefully, it can fix our issues,” said Mark.

“No problem, Mark. Before we get to the demo of the software, I’d love it if one of you could tell me about your process in more detail. I want to understand more about where you are and what you want to accomplish.”

“Sure, I’ll get started,” said Jeanne. “We do keep our policy information in our agency management system, but when it comes to commissions, we process them mostly in Excel using some formulas and lookups. Some of the statements we’re just getting in PDF format, so Bruce and Karen just review them visually and record the transactions where we owe anything in an Excel spreadsheet, so Karen can reconcile all of them later. All of this is very manual and time consuming.”

“And when a carrier messes up, then it’s a real picnic!” Karen chimed in.

“Yes, Karen will actually be able to tell you about it in more detail. She’s the one down in the trenches.”

“Do your carriers mess up a lot?” I asked.

“Not all of them, just three or four, but finding the issues and getting them fixed takes forever. This makes it very hard to pay on time, and you know how agents are—they want their money right away!” replied Karen. “It drives me crazy sometimes!”

“How often do you pay your agents?”

“We run commissions twice a month, but sometimes we have to cut an extra check when the agent asks on an especially big policy.”

“Do you mostly write checks, or use EFT?” I asked.

“Mostly EFT, but we do write thirty to forty checks a pay period.” replied Karen.

“Karen, why don’t you just take us step by step through all the things that you have to do? For example, how do you keep up with carriers’ schedules? How do you manage agent’s appointments and override agreements? How do you gather commission statements? Take us through the process of reconciliation and finally how you send the statements out and pay.”

“This will take a while!” sighed Karen.

“That’s why we’ve got time blocked off, Karen.” commanded Mark.

“Okey-dokey, then!” said Karen doubtfully and began the account of her day-to-week, month-to-quarter and quarter-to-year work.

She started by describing various ways they gathered commission statements from the carriers. They arrived via email and mail and some had to be downloaded from each of the carriers’ websites. Then Bruce would prepare them for Karen using a variety of tools. He also had to retype some of them or make manual corrections. All of this was only to get them ready for the actual reconciliation process that he and Karen went through weekly.

As she went deeper and deeper into the inventory of her numerous activities, I took notes and occasionally asked her to elaborate on some of the steps. It was amazing that she was able to account for all of them on the fly. It was clear that Karen knew what she was doing. Once we got to the actual reconciliation, things got really complicated.

“Karen, do you have a Master Compensation Grid that captures all the payout levels and compensation arrangements for all of your carriers and agents?” I inquired curiously.

She said, “No, we have hundreds of schedules and individual spreadsheets from each carrier, agent and agency.” and dove into details of the process.

Using Excel, pen, paper, her good memory and deep knowledge of the company’s compensation arrangement, Karen would review each of the statements and verify data against her notes in various files and folders on her computer, and often her own memory. After hours of work, she then would begin calling and emailing the carriers’ support staff to get explanations for the discrepancies that she found.

I could hear a growing frustration in her voice as she described all the hurdles that she and Bruce had to go through in trying to get help from carriers. This process lasted days and sometimes weeks. Finally, she would arrive to the payout amounts and hand her calculations back to Bruce. He in turn would create statements to all the paid agents in Word, convert them to PDF, and email them out one by one, while she was starting on the next reconciliation.

It was evident that their process was complicated, almost completely manual, and very time-consuming. Mark patiently listened in silence.

“Whew! I think that’s it! Told you this would take a while!” she concluded.

“Sounds like a lot of work!” I added.

“It is! That’s why I’m kind of freaking out about Mark bringing in more partners next year. I don’t know how we’re going to do this!”

Mark let out a long breath. “We **have** to grow! In this business you’re growing or dying!” he explained. Not for the first time I suspected.

Jeanne chimed in, “We’ve hired Joanne to help Karen, and we’re trying to get her up to speed but it’s hard. Karen’s knowledge of commissions goes back to the beginning—10 years—and learning all these intricacies, while at the same time being engrossed in day-to-day commission processing, is taking time. Though Joanne is very smart, I’m concerned that by the time she’s finally up to speed, the business will grow even more, and we won’t have enough people to do this job once again.”

“It’s a catch-22!” Karen chimed in.

“I totally understand! All of these are valid concerns! The business needs to grow. To grow a business, operations must scale proportionally. In fact, to minimize growing pains, operations must be ready to scale **in advance**, in anticipation of the growth. And getting resources hired and trained takes time!” I said.

“That’s why we need GreenWave software!” said Mark eagerly. “Can we see it now?”

“Of course!” I replied. I proceeded to take them through a demo of our platform for commission management. I started by describing the buildout process and showing our commission schedule and contract management tools. Then I proceeded with policy management and “new business” CRM and agency management system integrations. At every step, I focused on automation features built specifically to ease the pains of the process that Karen described earlier. I spent a fair amount of time on commission processing and reconciliation, demonstrating how Karen’s and Bruce’s current process could be streamlined and the vast majority of their manual labor handled by the computer. Finally, I demonstrated how commission statements are calculated and made available to agents through automation. The team was notably impressed

with how completely their process was covered with GreenWave's screens, workflows, and tools.

"Well..." said Karen, "This looks pretty good. It looks like your software is easy to use and covers everything we need. I don't know where I'll find the time to enter all the data needed for it to run though!" she sighed apprehensively.

"Valid concern!" I agreed. "If you had to enter rates for all the carriers for EACH of the agents, it would take a very long time to gather, format and input the data."

Mark jumped in: "We HAVE accumulated all kinds of custom deals over the 10 years."

I continued: "GreenWave has a variety of formulas and templates that could be entered once and reused for all the agents. However, if all of your 600 agents have custom rates, the total number of data points you have to maintain is: $600 \text{ agents} \times 35 \text{ carriers} \times 15 \text{ products (on average)} = 315,000 \text{ data points}$. Even with a software system built specifically for this, it's too many rates to maintain in good standing every year! Maintaining those would be a full-time job in itself! We need to solve this challenge first!"

"That's why we're talking with you! I hope you have a solution for us. How do we do it?" Mark asked eagerly.

"We need to re-evaluate and potentially reorganize how compensation works, so that it can be maintained and used effectively and continue being attractive to the producers. We call this process Compensation Design. The end result is a document that will explain how compensation should

be defined and built out in GreenWave to minimize the amount of work needed to set it up and maintain it going forward. We will test the ease of buildout and maintenance on the first few carriers to ensure that the design is good. Going forward, this will be a living document—adjusted as your business grows. Together, Compensation Design and Master Compensation grid will lay the foundation for your new commission process with GreenWave software as the backbone. This will eliminate most of the tedious manual processing you have to do now and allow your team to be 10X more effective and scalable.“

“This sounds too good to be true!” said Karen.

“I love the 10X and scalability promise! But how do we **guarantee** this will work and we won’t just waste time and money in the process?” Mark asked.

“We’ll have our teams work together, take small controlled and confirmed steps, and maintain ‘find a way’ attitude. Taking this approach will guarantee the success!” I responded with encouragement. “When everyone on your team is onboard with this, we’ll start by organizing your compensation.”

Mark called me later that day. “The girls love the software. Jeanne is totally sold on building a better documented process, but Karen is still stressed about finding the time to do it all. I think we’ll just have to bite the bullet though! What you described makes sense and we need to be scalable if we’re planning on growing. If we don’t do it now, it will be even worse later. Let’s get the process going!”

THEORY: AGENCY FUNCTIONS & DEPENDENCIES

Generally, an agency has at least six business functions directly related to the commission process. Let's review them.

The first one is **contracting with carriers**. The terms that you negotiate with the carriers will determine your total payout rates and will allow you to plan the profit margin that will be acceptable to you. The rates are expressed via carrier commission schedules. You may have an option set up your payout schedules with the carrier, or with some carriers all available options will be provided to you. You can assign those additional levels as you appoint your agent. If the rate you want your agent to receive is higher than the carrier allows, then you would have to pay the agent additional compensation, often called an override.

The next business function is **recruiting agents**. You have to attract the best producers. A significant part of that attraction has to do with the money that they can make placing business through your agency or brokerage. Part of that compensation will come from the carrier and part may have to come from your commissions. You have to balance the commission rate of the deal against the rate the carrier is paying you. If you don't plan it carefully, you may end up making no profit. Another consideration you should make here is the number of custom deals. Too many custom deals may make the commissions unmanageable or too expensive to maintain. Read about this process in more detail in the next two chapters. Finally, once the agent is recruited, you must train them to have correct expectations of amounts and timing of commissions as well as to properly read the commission statements. These may seem like small considerations, but left unattended they may create a lot of unnecessary agent support calls and frustrate the top producers.

Contracting agents is another function related to the commission process. You have to appoint them with the carriers and keep a record of the schedules and rates that apply. You also have to keep a record of what you're paying them on top of the carrier commissions. Sometimes, you may try contracting the agent but you'll realize the carrier would not actually appoint them at that level, so you would have to make adjustments to your appointment process and commission schedules to accommodate this.

Then, of course, comes the **new business** function. You have to keep track of new business and record the information about what policy is sold, what product you've sold, what the premium is, what the age of the insured is, and so on. Having a good process that produces clean new business data is very important. Without it you will never be able to match the commissions you expect and commissions you owe to producers on a policy or be able to say with confidence, "I am keeping what I should on this policy."

The last two business functions are **accounts receivable** and **accounts payable**. In a brokerage it mostly means commissions-in and commissions-out. Without proper planning, accounting in these areas will be more difficult than necessary and will not be able to provide useful insight you need to run business.

THEORY: COMPONENTS OF THE COMMISSION MANAGEMENT PROCESS

Now let's talk about commission management components that relate directly to the above-mentioned business functions. Even though commission management is not a complex process like rocket science involving convoluted mathematical formulas, it is complicated with the number of different parties whose hands touch each of the deals, and a multitude of moving parts, rules and documents to keep up with.

Schedule and commission grid management is one piece. The grids posted or negotiated with different carriers change several times throughout the year depending on the carrier. You should be aware of all the rate fluctuations in order to maintain profitability.

Agent compensation management is another component. I've seen what happens when these records are poorly maintained and not shared between teams in an agency. The staff constantly spins their wheels, trying to locate correct information. Sometimes they do even though they spend twice as much time or more than they should. Other times, they ultimately fail, causing the agency to be discredited in the eyes of the top producers.

The **book of business management** component seems like something that your new business department would do. Yes and no. In fact, this process needs the collaborated effort of both the new business and commission departments. As new business is supposed to be responsible for submitting applications in good order and making sure they convert to an in-force policy, there's no effective way to follow this policy through its lifetime. This is where the data of the commission process feeds back information about the state of the policy every month and every year.

Statement collection starts to play an important role as the number of statements from different carriers grows along with the size and diversification of your book of business. Somebody has got to collect those statements. They can come through feeds, they can come from getting information from carrier websites, they can come from emails, and some other ways. Each source has its advantages and disadvantages. It seems like collecting statements should not take a lot of time, but that's not true, and it's worth estimating the actual effort. With most of our clients, once they calculated how much time this actually takes during the course of a year, they were amazed – it was worth thousands of dollars! **Do your own numbers and ask for our Automated Statement Collection service!**

The next component is **statement preparation**. Let's say you're selling 30 carriers with two different lines of business. Potentially you're dealing with 60 different statement formats, because lots of carriers have formats for life that are different from annuities, for example. Somehow you have to make sense of all of those formats, missing data, and various peculiarities. Similarly, it may seem like preparing statements should not take a lot of time, but that's not true, and it's worth estimating the actual effort. With most of our clients, once they calculated how much time this takes in a year, they were amazed – it was worth thousands of dollars! **Do your own numbers and, again, ask for our Automated Statement Collection service!**

The next components are **reconciliation** that matches deposits to the statement and each detail line to a policy and then **validation of income**. Most agencies' approach is to do minimal checking to save time, and to *hope* that all other parties (carriers and producers) do a good job verifying the commissions. While this approach saves time, in reality, it leads to

tens and hundreds of thousands in lost revenues. Occasionally we see an agency that notices it after they invest in conducting an expensive follow-up audit, but most of the time they don't spend the time to do it. In our experience, validation of income can be very easily accomplished with software automation, assuming you've invested in a comprehensive software system and spend time to build it out properly.

The next two components are **commission statement creation** and **commission statement delivery**. Although most agencies produce these manually or with some mail merge and don't believe it to be a big deal, they are amazed with what it actually costs when they tally the time over the course of a year. Estimate the actual effort. With the right software system, this process is seamless.

The last two components are **accounting** and **reporting**. Anyone who has ever had to produce a report for management by sifting through tens and hundreds of Excel reports realizes that if they had planned the process ahead of time and had that information plugged into a database in advance, it would have been a lot easier. This information should be a normal and integrated by-product of commission management and the reconciliation process, and it should be automated through your software system.

A	B	C	D	E	F	G	H	I	J	
<p>Manual vs Automated Decision Chart</p> <p><i>*Note: You should fill this chart with the list of functions and components as needed - the lists provided below are provided as illustration of the process.</i></p> <p><small>Copyright © 2021 Spencelton F. Layne, All Rights Reserved</small></p>										
1	Function	Component	Manual labor review Time hours/week	Description of manual work	Risk of Error	Software Package review Name	Is software effective?	What is missing?	What should I focus on? Tactical/Strategic	Improvement Priority
2	Contracting with carriers									
3	Recruiting agents									
4	Contracting agents									
5	New Business									
6	Commissions									
7		Schedules, commission grid management		2 Occasionally updating schedule	Low	N/A			Strategic	Low
8		Agent compensation management		2 Setting up new agents. We do low	Low	N/A			Strategic	Low
9		Block of business management		1 Occasionally have to update	Low	N/A			Strategic	Low
10		Statement collection		24 Lots of statements to download	High	N/A			Strategic	High
11		Statement preparation		12 Have to review and record all	High	Excel	Difficult to use a lot of retyping		Strategic	High
12		Reconciliation		18 Checking to make sure that p	Medium	Excel	Using formulas is complicated multi-step		Strategic	High
13		Validation of income		36 Verifying that we received cc	High	Excel	Using formulas is complicated multi-step		Strategic	High
14		Payout calculation		12 Compiling and calculating w/	High	Excel	Using formulas is complicated multi-step		Strategic	High
15		Agent Statement Creation		3 Creation of payment vouchers	Medium	Word & Excel	Yes		Tactical	Medium
16		Agent Statement Delivery		4 Emailing payment vouchers	Low	Outlook	Yes, but tedious		Tactical	Medium
17		Reporting		1 Reporting payouts and new i	Low	Excel	Using formulas is complicated multi-step		Tactical	Low
18		Accounting		3 Entering payment transaction	Low	QuickBooks	Yes		Tactical	Low
19										
20										
21										
22										
23										
24										
25										
26										
27										
28										
29	Accounts Receivable									
30										
31	Accounts Payable									
32										

Chart 1. Tedious vs. Automated – sample Manual vs. Automated Decision Chart
(look for bonus downloads in the end of the book)

THEORY: BUILDING YOUR UNIQUE PROCESS

Now that we have briefly reviewed all the different functions and components that impact the commission management process, we're ready to take the next step – building a better process.

Building your unique process can be crystallized down to certain steps... Starting with imagining it, planning, implementing, and repeating the steps again to improve it continuously.

IMAGINE. AND WRITE IT DOWN!

Try this approach: Close your eyes for a second and imagine. What does your ideal commission management look like? Do you want to do it all in-house? Do you want to outsource some of it? Do you want somebody else to do it? Because some agencies, they prefer that somebody else runs the process; they just oversee it and they just get the reporting. And that's a valid approach too. Most agencies, though, want the control over the money, so they prefer to do it in-house. But can you afford to do it in-house? Would you want to do it in-house, ideally?

How often do you want the reconciliation to happen? How long do you want it to take? How often are you going to execute certain type of functions within your commission processing department? And then take all of the components of your commission process and evaluate how much time they are taking now. Are they a challenge or are they not a challenge? Would it benefit the team if we did it automatically and invested in some kind of software automation, or is it better to do it by hand right now?

If you had to write down three things that cause the most pain, what would they be? Take just a minute to think about it and then write them down.

Note: writing them down is very important. Memory has a tendency to be selective and some of your decisions and considerations may be forgotten or remembered incorrectly. Why leave it to chance?

BUILD AN “A” TEAM

A great process will demand a great team. Note, being army special forces is not a requirement here!

First of all, this means that they need to be on board with the changes you envision. They must share your attitude towards improvement and share your values. They must believe in the advantage of the change as much as you do and be dedicated to making your vision come true.

The second important consideration is skills. You must be aware of your team members’ skills – what each person is great at and where they are not as strong. You must make sure that each of them is in the right place and has the skills they need to succeed in complementing one another. Take an example from football (or any sport, really). Everyone’s got their own talent and a kicker is hardly ever good at being a quarterback. And only together with all their strengths and their weaknesses do they prevail.

The third important consideration is the leadership, whether you choose to do it yourself or to appoint a trusted team member. The leader of the team will own the process and ultimately drive and synchronize your team’s effort. He or she will be responsible for making sure the team spirit is healthy and the skills match the task. He or she will focus on the whole team, train them when necessary, and guide them towards victory.

Do you have a great team already? Do you have the right skills in place? Is your team ready to follow you in this new endeavor? How fast will they be able to adapt? How fast can they get the job done?

Talking through the entire team-building process is outside of the scope of this book, but there's another good book I can recommend. It helped me get clarity on the subject of building a better team. The book is "Who" by Randy Street and Geoff Smart.

PROCESS BEFORE SOFTWARE

A common mistake people make is that they buy software assuming that they will learn how to use it and they will figure out the process while using the software. In fact, it should be the other way around. You should start by figuring out the process and then decide which software will be able to automate that process.

I really like Bill Gates's two rules of business technology:

"The first rule of any technology used in a business is that automation applied to an efficient operation will magnify the efficiency.



The second is that automation applied to an inefficient operation will magnify the inefficiency."

So, design your process on paper (in Word, Excel, or PowerPoint) first. Then confirm it with your team by having everyone play the roles of the process.

Once the process makes sense, then you are ready to automate the process with the software.

Finally, it's important to keep your priorities straight and focus your effort where it matters the most. If your boat has leaks, the priority must be to close the ones the size of a cannon ball before sealing the bullet holes. Additionally, you should make sure that you never ignore strategic items, as they have long-term impact and must be invested into continuously. But you should also keep in mind tactical items; they may give you a short-term edge and help you reach strategic goals faster. You can use "Bonus 1. Tedious vs. Automated – sample Manual vs. Automated Decision Chart" to help your decision process.



TAKEAWAYS

- To grow the business, all parts/functions of operations must grow proportionally.
- Agency, GA, BGA, IMO's operations are a set of interconnected business functions; none can be ignored.
- Agency functions directly related to commissions:
 - » Contracting
 - » Recruiting, training and managing agents
 - » Contracting agents
 - » Placing New Business
 - » Accounts Receivable
 - » Accounts Payable
- Components of commission management:
 - » Schedules, commission grid management
 - » Agent compensation management
 - » Book of business management
 - » Statement collection
 - » Statement preparation
 - » Reconciliation
 - » Validation of income
 - » Payout calculation
 - » Agent Statement Creation
 - » Agent Statement Delivery
 - » Reporting
 - » Accounting

- All agency functions and components lead to commissions – this is where profit is planned, built, monitored and finally realized.
- Build your unique process.
 - » Imagine and document your vision.
 - » Make sure you have a great team.
 - » Process first, software automation second.
- You'll need a system for managing commissions/compensation... (see upcoming chapters).
- Make sure you bring the right people into the meeting as you're developing a better system.

It is never too early to start planning and organizing your commissions/compensation... It's also never too late!
So, START NOW!

GETTING COMPENSATION ORGANIZED

GETTING COMPENSATION ORGANIZED

The next couple of weeks flew by. We said goodbye to January and entered a February that surprised us with even warmer weather, beautiful sunshine, and blooming flowers, which appeared to have been tricked into believing this to be an early spring. This didn't fool Punxsutawney Phil, who upon observing his shadow with disdain, prognosticated that the warmth and the sunshine would surely be short-lived. Having accomplished this feat, he promptly returned to his cage, hid his nose deep into his belly fur, and refused to come out until a delicious head of lettuce accompanied by freshly farmed dandelions of bright yellow was offered to him in return.

Refusing to be brought down by the groundhog's dreary forecast of prolonged cold, we worked hard on putting together a scope, a timeline, meeting schedules, and kicking off the project. We wanted to ensure that everyone was



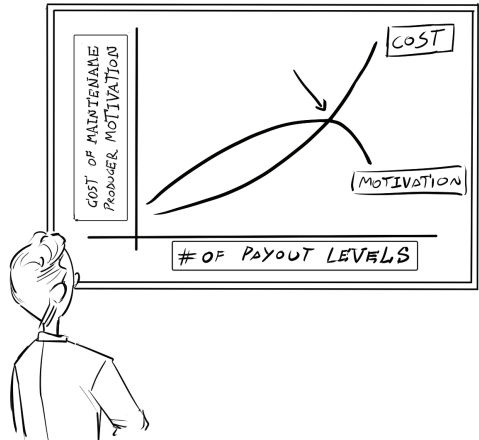
aware of our undertaking, knew the high-level steps, and was available to contribute. At last, all the ducks were in a row and we arrived at the first meeting dedicated to organizing the compensation for Stromberg & Mann.

“Happy Monday!” I kicked off our meeting. “I’m very excited to be here at this critical stage of our project. Our goal today is to begin planning how our compensation will be organized going forward. This is an extremely important step, because we must find the right mix of simplicity and flexibility that will allow us to scale quickly and minimize the chance of having to redo it completely, while maintaining the compensation model’s appeal to the producers. At the risk of sounding like a cliché, ‘Failing to plan is planning to fail!’”

“I have been concerned about this...” said Mark thoughtfully. “For the longest time our game was to make any special deals to attract the top producers. I don’t want them to start feeling less special because their deal isn’t the ‘special’ deal!”

“Very good point!” I replied excitedly. “I think this can be better addressed if we separate the two concerns: one – the concern of organized compensation, and the other no less important one – appeal to the producer. The former issue has to do with figuring out agent groups and related formulas that would minimize maintenance. The latter has to do with **marketing and communication** to the agents. Even though these two concerns seem to be in completely different categories, they are related. I’m sure you’ve heard of the oxymoron ‘you’re special – just like everyone else.’ The fact that everyone is unique means that nobody is actually **special**; it just means they are different. The goal of our marketing and communication to the agents and agencies (our downline) is not only to recognize their achievements but also, just as important, to give them a goal to move towards, an incentive to do even better. Look at this...” I quickly drew a chart on my screen.

“The more groups of agents or ‘payout levels’ you have, the more it will cost to maintain – it grows exponentially. Notice that the producer’s motivation grows at first, but as the number of payout levels available to them grow, it flattens out and then begins to decline. Finding the ‘sweet spot’ at the intersection of these two is the goal of organizing the compensation. It’s different depending on the agency’s stage of growth, but we’ve found that it generally ranges between five and 30.” I explained.



“Does that mean that for 30 payout levels we would have to maintain 30 rates for each product?” asked Jeanne cautiously.

“Not necessarily! Depending on how we handle this in GreenWave – rates vs. formulae – this may be one level for each product and 29 formulas that will work across the products, or 30 rates for each product. It will depend on how well we organize our compensation. I find that it’s a lot easier to do it right the first time if you focus on solving one problem at a time. We should start with how many groups of agents you would like to manage for the next year or two and how you’d like to name them so they’re appealing to the agents. Your choice should be based on business needs. Mark, your input here is of critical importance, because you decide your sales and marketing goals.”

After a few seconds of silence inconveniently uninterrupted by the sound of crickets, Mark began slowly, “I think it’s starting to make sense... I can think of a few agents that we’re paying somewhat similar percentages. I think we’ll need some time to discuss this in more detail. I’m still a little vague on how to do this. Can you give us some examples?”

“Of course!” I assured him. “Let me do even more! Let me take you step by step through an example of this process. It will be based on a very simple compensation approach that might not be suitable for you, but it will give you a framework that will help you stay on target as you and your team review what you have now and decide on the compensation approach that will work for your company.”

Thirty minutes, a basic example, and a few questions later, Mark and his team were in the right frame of mind, had some ideas, and were on the right track. It was time to let them ponder the questions at hand for a few days.

“Just remember! Try not to get too far ahead and solve all the problems at once. Focus on the objective at hand – identify groups of agents that can fall into the same compensation pattern – and take your time! A good idea always takes time to mature and to turn into a good design!” I encouraged them as we were parting until the next meeting.

FIRST STAB AT ORGANIZED COMPENSATION

A week later, we gathered again to discuss the results of the team's research sessions.

“Happy Tuesday, Mark, Jeanne and Karen! How've you been?” I started our follow-up meeting.

“This was a lot of work, but very interesting...” Mark began. “We have reviewed the 600 agents based on the recommendation you gave us and realized a couple of things. First of all, our deals are mostly with agencies, not individual agents. The bulk of agents work under 30-something agencies, and within each agency all agents are appointed at a lower level than the agency. In other words, we can filter all the rates down to the individual agencies plus a few independent agents. This makes our life easier already. We have been reviewing agency and independent agent compensation; we have realized that with a small change in what we pay them (some up, some down) we can get them down to five groups. So, we reached out to our producers and agencies and offered the new deal. They loved the idea of getting paid faster and more clearly with GreenWave, so they all took the deal.”

“So, you've gotten it from hundreds of arrangements down to just five types of compensation! That's impressive! Way to go, Mark!” I was very excited about their progress.

Mark continued, “We decided to name them based mostly on metals, with the exception of one: Street (the basic agent that doesn't pay and is only getting money from the carrier), Bronze, Silver, Gold, and Platinum. What do you think?”

“It’s an excellent start!” I agreed, and continued with a sense of caution, “It’s interesting that you simplified the task a little bit by focusing on just the immediate downline – the agencies. I want to make sure that you’re realizing the impact of this decision. This implies that when you’re reporting income to the agencies, you would not be able to tell them how much money their agents should have received from the carrier. You would only be able to report the total to agency and the agents! Are you sure you’re okay with that?”

“Yes! We have thought about it. We don’t report this now anyway, so nothing will be lost, but it will make our work a lot easier. Jeanne, Karen, what do you think?” asked Mark.

“This was an interesting exercise!” said Jeanne. “I’m very glad we’re doing this. It fills me with hope that we’re on the right track.”

“It is promising, but…” Karen said with reservation, “we won’t really know till we actually begin processing the statements. Carrier statements get messy when you get down to it.”

“You are correct, Karen! The first commission audit will be the ultimate test.” I replied. “This is part of our process, but we’re still a few steps away. If we plan well, test the calculations, and document our decisions, then we’ll be able to improve our model at every step and lay in a strong foundation for the first audit. I’m looking forward to it!”

“So am I!” said Jeanne. “What’s our next step?”

I was very glad to hear the excitement in her voice and in Mark’s. I knew they were only making their first steps, but they were already starting to see the light at the end of the tunnel. It was now very important to keep the momentum going.

“The next step is ‘Compensation Design.’” I said. “We’ll now map these levels to the different features of GreenWave, but before we do that, we need one more piece of research done. We need to review how Stromberg and Mann is paid by the carrier to understand the different parts of compensation: first year vs. renewal compensation, target vs. excess, annualized or not, is statement from carrier report commission on one line or multiple, and what are the parts. Also, to better understand GreenWave’s capabilities when it comes to the buildout, I need you all to review the first three sessions of our Core Operations Training. It’ll take you through the best practices for navigating the system as well as teach you how to manage commission schedules and contracts.”

“I do better with doing while I’m learning! I’m very hands-on.” said Karen. “I don’t know if I’ll remember how to use the system from just watching the video.”

“That’s exactly what we’re doing, Karen!” I reassured her. “You’re not expected to learn ALL the skills from video. The video training course will explain how the system works, what’s possible, and it will prime your mind for the hands-on experience. Your skills will get developed as we go together through the actual buildout of the first couple of carriers and the audit. This is when you’ll find this initial review invaluable. It will ensure that you’ll have a lot of ‘Aha!’ moments as the dots get connected.”

“We’ll make sure **this gets done!**” Mark asserted. The tone of his voice and a second of silence to follow left little doubt about his resolve to ensure that this would get done.

It’s a win! When the general is determined to win the war, his soldiers will move mountains.



TAKEAWAYS

- Start by documenting compensation arrangements you have today.
- Group similar arrangements to find the right mix of simplicity and flexibility, appeal to producers vs. maintenance, i.e. benefit vs. cost.
- Keep control of the number of data points you'll have to maintain.
- Which arrangements matter to you and which you should cut out? Do people using these arrangements produce a significant amount of income? Do you even care to continue this, or want to pay them off and move on?
- Do renewal commissions matter at this stage of your growth?
- What is semantically more important in this arrangement if the rates change? Is it how much you keep or how much you pay out?

Keep in mind! Your commission system will put constraints on how well you can organize your compensation. Get GreenWave for maximum flexibility, efficiency, and comfort!

TO CONTINUE READING...

Dear Friend,

I'm very excited that you got this far! Now you have a head start on building a high-performance commission process for your company, but there's much more! You're less than half-way through the book and the rest is extremely important!

DON'T STOP here! GET your own copy of the ENTIRE BOOK to make sure you also learn how to BUILD, TEST and SCALE commission process for your COMPANY SUCCESSFULLY.

If you'd prefer to learn on other people's mistakes, SKIP TRIAL AND FAILURE and DO IT RIGHT THE FIRST TIME, this book is for you.

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P.S.: Note, we donate to charitable organizations (including NAILBA Charitable Foundation) from the book's revenue, so when you BUY THIS BOOK you also HELP OTHER PEOPLE.

P.P.S.: Would you will benefit from over 20 years of experience? Visit our main site GreenWaveCommissions.com to learn more about help we can provide and to schedule a time for us to talk.

BONUS MATERIALS & REFERENCES

Please, visit SlavaIsayev.com/commission-secrets
for your bonus downloads!

Note: Bonus items are listed on next pages.

BONUS 1. TEDIOUS VS. AUTOMATED - SAMPLE MANUAL VS. AUTOMATED DECISION CHART

See “Manual vs. automated Decision Chart.xlsx” download. Provided for chapter 2.

1. Start by filling out the columns A and B with business functions and components you’re evaluating.
2. Estimate and describe manual work for each component in columns C and D and assess the risk losses due to manual errors in column E.
3. Review the software packages you use in columns F-H from the standpoint of how well it does the job of eliminating manual labor for you.
4. Decide if the update of this component will bring long-lasting effects and allow you to accomplish long-term goals (strategic) or if its effects will only temporarily allow you to save or free up resources (tactical) in column I.
5. Assign improvement priority to each component based on your assessment.
6. Highlight in yellow those components on which you should focus your improvement effort.

BONUS 2. EXCEL SPREADSHEET - SAMPLE MASTER COMP GRID

See “Master Compensation Grid.xlsx” download. Provided for chapter 4.

BONUS 3. EXCEL SPREADSHEET - SAMPLE MASTER PRODUCER COMPENSATION REGISTRY

See “Master Producer Compensation Registry.xlsx” download. Provided for chapter 4.

BONUS 4. WHITEPAPER - 2018 STATE OF INSURANCE COMMISSIONS REPORT

See “2018 State of Insurance Commissions Report.pdf” download.

REFERENCES

“Who: The A Method for Hiring” by Randy Street and Geoff Smart

“American Icon: Alan Mulally and the Fight to Save Ford Motor Company” by Bryce G. Hoffman

“Measure What Matters: OKRs: The Simple Idea that Drives 10x Growth” by John Doerr

CONTACTING THE AUTHOR AND GREENWAVE

To contact Svyatoslav (Slava) Isayev use one of the following websites:

<http://www.SlavaIsayev.com> or

<http://www.GreenWaveCommissions.com>.

There you will find the current phone,
email and mailing information.

5 STEPS

TO HIGHLY EFFECTIVE COMMISSION PROCESS

1

Right mindset

Get yourself and your team into correct mindset to reorganize commission process.

2

Organize your arrangements

Get control of your commission schedules and compensation arrangements with your upline and downline. Build a system you can follow effectively.

3

Build it out in your commission system

Choose software for flexibility to leverage your special deals that give you competitive advantage.

4

Audit

Check your buildout to make sure it results in correct calculations.

5

Repeat

Review your process and continue improving it regularly.