

# The



## Most Innovative Agents in America

[ Chapter Reprint ]



## Thomas Williams

*Chairman and CEO, InterWest Insurance Services, Sacramento, California*

**Innovation:** Created specialty niches in health clubs, social services, and other areas to grow company from \$8 million to \$50 million in revenue in just over a decade. Created “Eco System” to complement sale of insurance products. Gave ownership back to proven sales employees through an ESOP.



Thomas Williams, creator of the Dynamics of Selling course, has retired twice thus far. Each time, the call of insurance has lured him back. His most recent endeavor, InterWest Insurance Services, Inc., has already grown from \$8 million in revenue to \$50 million in revenue in just over ten years. Under Williams' leadership, InterWest began as the merged product of three Northern California agencies. The business, on the aggregate, was very general. But under Williams' direction, InterWest has started to create specialty niches in areas like health clubs, social service organizations, banks, financial institutions, and property managers. In addition, they've created an “Eco System,” a group of services including risk management, payroll administration, PEO services, and safety and management consulting. But Williams thinks one of the most innovative things he's done is to provide ownership and personal wealth building opportunities to key young employees in the organization.

### **How long have you been an agent?**

About 25 years.

### **Can you give me a short history of your career?**

My first real working job was as a Green Beret Special Forces officer in the military. I was the Delta team leader for a while and then got involved in what today they call PsyOps—psychological warfare and propaganda was how it was referred to back then.

I got involved in the business just after the Vietnam era, quite by accident, and went to work for an agency in Tennessee. I knew nothing about the insurance business and it took me about four months to go to the boss and say, “If you haven't figured it out, I have. I don't know what the hell I'm doing.” But I liked the business. I saw it as an opportunity to get into something that was interesting and financially rewarding.

As a special forces guy, you know that training is the key element to almost anything, so I went to work doing a variety of jobs—handling claims, underwriting, etc.—with the goal of getting back into the broker side of things.

I opened up a scratch operation in Charlotte, North Carolina, in the mid-1970s. I built it very rapidly. It was recognized as one of the fastest growing operations in the South at that time. We had 16 locations in nine states in the Southeast. It had over 200 employees when I sold it.

I thought I wanted to retire then, at about age 50. In fact, I did retire for a time, and spent two or three years sailing down in the islands. Then I realized I was too young and had too much energy to quit.

I ended up in California, where I took Insurers Group over as president of the company and expanded it into 40 states with 300+ top independent agency franchisees over the next three years. My competitor was Merrill Lynch. They had put together a similar franchise organization out of San Francisco.

We sold that company to an organization Merrill Lynch had put together called ISU, which still exists in a small way today. The merged organization grew to about 600 franchise members, all of them independent insurance brokers.

After two or three years of that I resigned and went up to my ranch in the wine country, thinking I was going to retire again. I took two years building up the ranch before deciding it was time to have another foray into the insurance business.

I started InterWest about 11 years ago. InterWest is headquartered in Sacramento with an original focus in the big valley of California. We put together three of the leading insurance brokers in the Northern California area. Our original vision was to be a dominant player in Northern California.

We started with \$8 million in revenue and 10 or 11 years later, we're at about \$50 million in revenue. It's been very significant growth with most of that growth being organic.

**Briefly explain your vision for your agency and its mission. What are your specialties, organizational structure, number of locations, number of employees?**

When we put the organization together initially, the idea was to have special expertise in target classes of business. We went from being a generalist organization to being a specialist in a number of areas. We have specialties in health clubs, country clubs, social services, trucking, banking, transportation, as well as several other targeted classes. The idea was that we wanted to develop strong market expertise and relationships, and develop sales people who understand those niche businesses better than most anyone else. The niching has been a big factor in what we do.

We also recognize that if all we do is go out to prospects and clients and sell policies, and do a reasonably good job at servicing those policies, we won't be the type of organization we set out to be initially. So we started developing a wide variety of what I call Eco Support System offerings, a range of support services for clients. We offer risk management, loss prevention, marketing and management consulting, highly specialized payroll administration, and PEO-type services. A large part of our success has been to have these support mechanisms in place to support the sale and servicing of the policies to our clients.

**Where are you located?**

We have 11 locations, primarily in the northern two-thirds of California. Headquarters is in Sacramento. Six of those locations are full service operations. The others are more sales and service locations.

**How are you structured organizationally?**

We have about 28 or 29 shareholders. Our average age of ownership, if you take me out—I'm the old guy—is 40 or under. We're very energetic and entrepreneurial. Our compound growth rate has been well in excess of 20 percent annually for the past several years...with most of our growth being organic. We're also a very profitable organization with profitability averaging in excess of 20 percent for the past several years.

**What would you say is the most innovative thing you've done with InterWest, your third company?**

Recognizing that our largest asset is the team of young men and women coming onboard and providing them with ownership and personal wealth-building opportunities. We provide easy methods for someone who has proven himself a good salesperson to become an owner in the company—that's been a key element of the growth in the organization. Also, spending the money on good support services has been another piece.

I developed the Dynamics of Selling sales system years ago while building my original southern operation. The principles of Dynamics of Selling has been a major factor in the growth of the southeastern operation, as well as here on the west coast. Our belief is that it's all about the people, training, and the overall quality of the organization. We know we're selling a promise. When you sell a policy, that policy and that piece of paper is worth nothing until there's a claim. We believe that you can't have professionalism without integrity. We are very strong in terms of bringing in people who we believe possess those characteristics and then driving that home in the organization in a variety of ways

**What advice can you give aspiring producers as to the critical skills they must develop to be successful?**

Commit yourself to training and constant self development.

**How do you go about developing a niche market?**

Typically, we look for people who have a passion for a particular niche. We just recently recruited a young man and his wife who were on the professional golf circuit. You KNOW we're going to put their experience to good use. Most of our health club staff have muscles. They enjoy going to the gym, they enjoy working out, they often know as much as the gym owners about safety and equipment. I think it all comes back to training and knowledge and getting those people who have a passion for a target class of business.

**Can you describe your own productivity in terms of income to the organization, and how it has affected your organization's growth? To what do you attribute your productivity?**

Like I mentioned earlier, we've had compound growth rate in excess of 20 percent each year. This last year we had 26 percent growth on revenue and 40 percent increase in profitability. We feel like we're not only growing, but we're growing profitably. Training and people development are critical to continuing on this track.

**What advice would you give to aspiring agency managers on how to become good managers?**

Find good people, stay with them, provide them with the adequate training to be successful, and monitor them. Make sure that you provide adequate wealth-building/retirement for your team.

If you recognize that you have a round peg in what is a square hole, or vice versa, make the tough decision to reach out and find another person. We don't fire people quickly. We give them great opportunities to grow. But we also recognize your batting average isn't going to be 100 percent.

**What advice would you give agents on how to work with insurers and other providers of client services?**

Be honest with them. Be direct with them. Shoot straight with them. My partners are the insurance company vendors. Don't fudge on the applications, give them the information—good, bad, or indifferent.

**What technology have you implemented in your operation and what effect has it had on your operation?**

Technology today is key. We have an internal system that we call MarketSearch. If a producer comes in with a new risk, we are able to identify based on information that we've logged in over time, where the good markets are, what the keys to that market are, and what the keys are for that class of business. You have to have good technology to support the effort.

My people cost is about 60 percent of my total expense factor; and technology costs in a typical agency are 1 percent to 3 percent of revenue. If I can spend more money on good technology and, for instance, increase employee efficiency by 10 percent by spending 1 percent more on technology, it's a no-brainer. We're very, very strong advocates of technology.

**Do you think your technology distinguishes you from your competitors?**

I know it does. But we're not out there in the world alone. Most aggressive agencies in today's marketplace have invested heavily in technology. Technology is another tool...but a very critical tool in today's environment.

**What does leadership mean to you and what key attributes would you recommend that others develop who aspire to be leaders?**

As a leader you must become a role model for your organization in terms of commitment, strong work ethic, and integrity. No one is going to follow a leader if they don't believe that leader will outwork them and will be totally straightforward to both the employees and the carriers. Leadership, to me, has a lot to do with integrity and commitment—the willingness to put the time in to develop yourself as well as your organization.

**How have you contributed to the insurance industry?**

Dynamics of Selling was one of the ways. When I got together with Dr. William Hold of CIC fame several years ago, CIC had never gotten heavily into the sales and marketing end of things. I felt that by offering what I had developed via Dynamics of Selling to the industry at large was one way of giving back to the industry that has treated me very, very well.

We're also very involved in all our communities. I sit on a variety of boards, both for profit and not-for-profit. Examples being the Comstock board, a regional monthly business magazine for California and Nevada. I also sit on a number of technology company boards. Currently I sit on the board of IBA West as well as the Council of Agents and Brokers.

**What has impacted your business most in the last five years?**

At the risk of being boring, our commitment to people development; our commitment to finding young men and women and developing them into leaders in our business.

**What do you think the most critical emerging opportunities and threats are to independent agencies?**

Brokers have been on a good ride for the last three or four years. To some extent, you've had increases in commissions just by doing a decent job and staying in the game. And that's going to change over the next few years. Agencies that have relied on that automatic 10 percent sales increase, and didn't concentrate on developing their sales people and their sales strategies, they will be the ones to suffer in the next few years. Frankly we look at it as an opportunity—it will eliminate some of the mediocre performers and allow some of those folks who are committed to better practices a greater opportunity.