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# Finding a Niche

Heffernan Insurance Brokers Has Shown How an Agency Can Be Young and Successful at the Same Time

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**TOP100**  
AGENCIES

Steve Williams, Brian Dantzig, John Prichard Jr., Michael Heffernan, John Tallarida, and Elizabeth Bishop in front

# a Niche

## A Young Company With a Nontraditional Management Style, Heffernan Insurance Brokers Has Shown How an Agency Can Be Young and Successful at the Same Time

By Lori Widmer

In the world of insurance and insurance brokerages, 21 years is almost infancy. With many of the top-ranking brokerage firms, there is a long history dating back 50 years or more and growth that took time and patience. Yet longevity isn't necessary to be successful. And patience is overrated — simply find a product niche, become experts, respond to clients, and be one of the best employers in your market. If you do all that, you'll garner enough awards and recognition to prove you know what you're doing better than any other player in your space.

Welcome to Heffernan Insurance Brokers, a young upstart company that adopted from the outset all the criteria that has made it one of the top agencies in the country today. No small accomplishment given the company's beginnings — a 28-year-old employee of another brokerage firm, frustrated with his job, decides to buy a failing company that comes with a \$250,000 debt and grow it from one office and 10 employees to 11 offices, 390 employees and the 9th largest independent brokerage in the country.

That employee, Michael Heffernan, is the company's first and singular CEO and the mastermind behind an agency vision and market niche that has allowed the company to grow organically and retain exceptional talent. It started with a culture based on honesty, team effort, and an unwavering client focus. His self-described laissez-faire style of management has created what he considers to be an environment that fosters creativity, personal and professional development, and happier clients as a result of happier employees.

In just one conversation, it was obvious that honesty is who Mike Heffernan is and what he expects from his business. He readily admits mistakes, talks openly about why his company expanded into various areas, gives kudos to the competition, and admits to his own company's past shortcomings. Not that honesty isn't rewarded — Heffernan Insurance Brokers has a long list of accolades bestowed upon it, including Agency of the Year, top place to work (three consecutive years), second best place to work in the Bay area, Top 50 best companies to work for, top corporate philanthropist, and more.

### One Thing Leads to Another

At first, Heffernan thought he would be content to sell insurance alongside his father, who worked for a large national brokerage. He joined ranks with his father in 1986. However, the younger Heffernan was becoming increasingly disenchanted with the way insurance business was run in the traditional sense. So two years later, he bought an East Bay company called Peterson and Associates, which had an already established nonprofit insurance business.

It also had \$250,000 in bad debt, something that perhaps cemented in Heffernan's mind the notion that independence needs to be guarded fastidiously. With just nine employees, Heffernan focused on making its core product a specialty. His own background echoed nonprofit business. "My father did a lot of business with the Catholic church, so I knew that side of it. When I bought this firm, they had a program with church business, so we grew that and expanded it to include social services. There was no one going after it consistently or with a good plan." Thus the company became a niche player before the rest of the industry caught on to the trend.

Expanding into social services also led to the company's giving back to the community. "It made for a good business theme," says Heffernan. So good, in fact, that the company is currently named a top corporate philanthropist in the Bay area, an award the company receives often and Heffernan is quite proud of. "We're very active in giving back. We gave over half a million last year. All of us are proud of that."

### Independent, Organic Growth

Another industry specialty Heffernan has focused on since the company's inception — construction, primarily middle market construction and subcontractor business. The product line has grown since

1988 to include personal lines, commercial, financial services and benefits, including 401(k). The company added health care and technology to the mix, creating new areas of expertise for Heffernan employees. The company also added new locations in California, Florida, Chicago, Missouri and Oregon, but Heffernan notes that the expansion and

#### Top 100 Agency Profile

**RANKING: No. 9**

**Agency Name:**

Heffernan Insurance Brokers

**Headquarters:**

Walnut Creek, Calif.

**Year Founded:** 1988

**Additional Locations:** Palo Alto,

San Francisco, Petaluma, Los

Angeles and Orange, Calif.;

Chicago, Ill.; Portland, Ore.;

Chesterfield, Mo.; Miami and West

Palm Beach, Fla.

**2007 Premium Volume:**

\$589.2 million

**Property/Casualty:**

\$497.3 million

**Other than P/C:**

\$91.9 million

**% Commercial:** 96%

**% Personal:** 4%

**2007 Revenues:** \$71.0 million

**Principals:** F. Mike Heffernan president/CEO; Dan Sebastiani, CFO

**Number of Employees:** 390

## Heffernan, continued from page N11

growth has been mostly organic. “We do very little acquisition. Of our \$70 million in revenue, we’ve acquired about \$7 million of that.”

On this point he is adamant — his company will remain independent. If that means turning down an acquisition because of financial dependence on others, so be it. Perhaps it’s because his young company started with someone else’s debt, but he’s cautious about any acquisition. “It’s not out of the question; it’s just in the last five or six years because of venture capital money, bank money and international brokers, the cost to acquire is a factor. We’re using our money and they’re using public or private capital. If we use our money and put ourselves in a situation where we get in trouble, we can’t remain independent.”

Despite an impressive \$589.2 million in premiums written in 2007, the firm did see a decline in profits in 2008. “We’re down 2.2 percent in top line revenue. We’re mostly P&C, and we’re only 8 percent benefits.” And, benefits business has seen a decline in the tough economy. The decreases aren’t staggering, and Heffernan understands the reasons. “Our rates have gone down, and our clients don’t have as many unit employees, so benefits and workers’ comp definitely go down based on that. Plus if sales are down, the liability and exposure base has probably a 15 to 20 percent reduction on overall book.”

And ironically, two of the states where the company has operations — California and Florida — are the two states hardest hit by the current recession. Heffernan chuckles at the irony, but says “You just have to manage your way through that. There’s not much you can do about it.” He’s done that by becoming more focused on business relationships and costs. That includes rethinking support of production sources, and making sure the people being supported are adding value to the clients.

## Successful Niches

Key to Heffernan Insurance Brokers’ success is the company’s focus on developing and selling niche products and expertise. “Some of our



From left to right: Brian Dantzig, Michael Heffernan, Elizabeth Bishop, John Prichard Jr., Steve Williams, John Tallarida

ability to develop products expertise in the nonprofit field and being a leader in insuring nonprofits for all products has been a huge success.”

For Heffernan, niche is the only way to go. “It allows people to concentrate and understand all the intricacies of what the client needs as well as the carriers and develop a relationship with the insurance companies who play in that field. There is value added. You know more about what the client needs, you have better relationships with the people who provide those products, and you can deliver better, more specialized service and products. Our company has all niche people who help each other. In front of the client is always someone

**‘From day one we were focused on specific industries. It’s ingrained in our culture.’**

who knows the industry.”

One of those niches includes benefits, which Heffernan says formed the foundation of one of his larger mistakes. “Until I asked Steve Williams to take over the benefits business, we did a very poor job at benefits. I didn’t put enough emphasis on it. We should be a lot larger. I blame myself. A long time ago when Bill Clinton got elected, I thought there was going to be national health care and I decided not to put capital in benefits. That was a mistake.” Given that the company has gone from \$1 million in revenue to \$6 million in revenue in nearly five years, they’re making up for lost time.

Other company niches include long-term care, senior care, nonprofit, which are businesses that Heffernan says have had a little less of a downturn. Despite the niches, Heffernan points out, “We write construction and we write property owners. Our people are focused on individual industries.

“From day one we were focused on specific industries. It’s ingrained in our culture. If you come here, even if you are a generalist, you end up becoming a specialist. From the very start we were that way. A lot of firms do that now, but 20 years ago it wasn’t that prevalent.”

## Rediscovered Opportunity

Even though the company was quick to specialize, Heffernan admits to being late to the dance in a few areas. His understandable misperceptions of the benefits market aside, he admits to having been “a bit behind the game” with technology accounts, an area in which the company now thrives. As with any area in which the company specializes, Heffernan says a team with specific technology expertise was recruited and marketing campaigns were put into place to support the technology business. That’s how the company differentiates itself. “We go after a specific industry based on having talent in the company, we see a market opportunity or a product that differentiates us, and we believe in focused marketing.”

He also believes in understanding where true value lies. “We went after health care, long-term care, resident care, and home health care agencies because those areas were growing faster than the economy. If you’re going into an industry, you probably want to go into one that’s growing faster than the economy because the insurance indus-

try can't grow much faster than the economy — only in specific segments.”

The company has also further diversified its portfolio in the benefits arena. Current offerings include a financial services division for 401(k) products, and an investment management advisory group. In fact, financial services are to Heffernan a key area of concentration. “It’s a business strategy for us in the upcoming years to become a lot bigger and more sophisticated in that arena. We have a very good team in place and we have a good platform.”

Another area of concentration is the small business. “We’ve also concentrated on small business for a long time, which a lot of brokerage firms have not done. With a lot of those clients we try to cross-sell the financial services — the 401(k) and the health.”

There are two reasons for the small business unit, says Heffernan. “The primary reason was to write business for smaller businesses. There aren’t a lot of independent agents going after that business. We wanted to take the products by carriers such as Travelers and The Hartford, CNA, with good small business divisions and serve that segment of the insurance population. On the other end, the underlying reason for the division is the people doing that business get trained in insurance and they become people who can populate our company. It’s served as a really good training ground. Also, it’s a profit center that does well for us.”

As with most brokers and insurers, the aging employee base is a constant concern. Heffernan believes because his company put such effort into attracting young talent, there may be no shortage of future management or industry leaders. “We have a very young company. We’re getting older in management, but there are still a ton of people in the company who are younger that are brand new to the industry. We have 30-40 people straight out of college who are going to be in the insurance industry. That is one of our biggest successes.”

**‘We have a very young company. ... We have 30-40 people straight out of college who are going to be in the insurance industry. That is one of our biggest successes.’**

### The People Factor

It’s all part of Heffernan’s philosophy of finding employees who fit the corporate style and giving them the freedom to do their jobs without micromanagement. “If you allow people to do their jobs by creating an environment where they can work well and you don’t impose your will on them, you’ll have a better service platform.”

His philosophy has proof in numbers — of the people helping to run the Heffernan business, 80 percent of their brokerage careers have been with the company. That’s not to say everyone is a fit. In fact, finding new talent has been challenging because of the difference in management style of Heffernan versus a traditional brokerage. “We have a harder time recruiting people who have been in the industry for a while because our style is different and they may not feel as comfortable with that. They have to fit into it because if they don’t they just won’t like it. I’m a true believer that there are many styles that can be successful. We’ve chosen this. It’s a strong culture. You have to like that style to thrive in it.”



From left to right: Steve Williams, John Tallarida, Michael Heffernan, John Prichard Jr., Brian Dantzig, and Elizabeth Bishop in front.

When asked who the key people in the company were, he struggled. “That’s such a hard question. Our company is full of people who have been unbelievable for many years. Right now, people like Steve Williams who runs the San Francisco office and our financial services and benefits division; John Tallarida, who runs our Palo Alto office, oversees our southern California expansion; John Prichard Jr. who runs our small business unit; Brian Dantzig who runs the Walnut Creek office; and Liz Bishop who runs our personal lines division for California in addition to our Petaluma commercial lines office are our key players. It’s a big team, and it takes everybody. There are also

many other people who have been here for 15 or 20 years including producers, account managers and accounting personnel.

“Very few people leave our company. Most who have come here haven’t left. They might leave to quit the insurance industry, but very few people leave to go to other brokerage firms. Our clients see consistency. When people ask how we’re able to grow when times are tight, one of the things is that virtually no one who is key to our company has left.”

From kids and dogs roaming the offices to hiring young talent and bringing them to leadership status, this is not business as usual. Still, Heffernan sees little difference between his company and other brokerages. “You can’t be that much different. We’re insurance brokers, but I think we try to do it with a little more style, and try to treat everyone in the company in a way that allows them to enjoy what they’re doing. If they’re positive about their jobs, that transfers over to our clients and knowing we care about them. It’s twofold — if our employees are positive about their jobs, then the people we serve will feel positive about what we’re providing them.”

Widmer is a Philadelphia-based freelance writer who specializes in insurance and risk management topics.