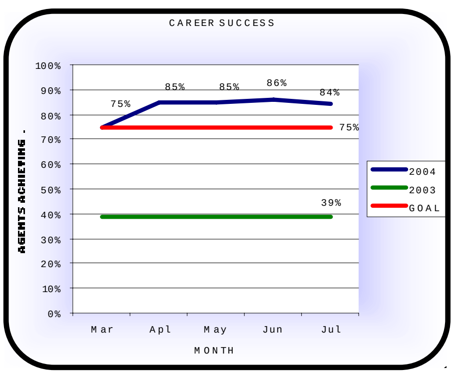
University of Farmers
Partnership Report

From inception, the goal of creating a centralized university within Farmers Insurance Group was to improve the success rate of these new agents. The intent was to design a program that would instill early the habits, behaviors and discipline necessary to drive long-term success. Agents leave the university with broadened skills in sales/marketing and with an executable business plan focused on achievement of aggressive milestones. These milestones include a full range of financial results, sales recognition goals and systems management.

Over the past year The Bob Pike Group has assisted Farmers Insurance Group in designing the University. The University approach to aligning organizational focus goals to training is to provide a standardized format that gives new agents the opportunity to develop the skills necessary to drive success. It provides the means to make strides toward a higher expectation earlier in their career. Unlike past training programs, agents are provided the knowledge and technical skills via online Internet based training courses. In addition, they are given hands-on opportunities that address skills in sales, business planning, marketing systems, and advocacy. The University experience blends presentation, case studies, individual and group exercises, electronic media, software and small group interaction.

What measurable, quantitative results has your organization recognized as a result of the project with The Bob Pike Group?



The primary measure established to track University results is new agent success in achieving Validation Level of the company Performance Plus Subsidy program. Validation requires agents to sell four life insurance policies and 40 property/casualty policies in six months. Through July 2004 the participants are ahead of goal at 84%. This compares favorable to the 2003 result of 39%.

Another measure of results is number of agents achieving a life insurance sales achievement award, the Blue Vase. To qualify, new agents must sell six life policies in three months or 18 policies in six months. The results reflect 68% of agents through July 2004 have achieved Blue Vase status as compared to 49% achievement in 2003.

MEASURE (3-months)	March 2003	March 2004	% Incr	April 2003	April 2004	% Incr	May 2003	May 2004	% Incr
New Business Sales	17	20	17%	16	20	25%	13	16	23%

While Blue Vase and Career Success results are key University measures, actual production of new agents is also monitored. In comparing current new business sales with agents in 2003, favorable results are apparent. 2004 agents are consistently out-performing their 2003 counterparts. These statistics are based upon agents in their third month after being appointed as full-time agents. The financial impact company-wide is an approximate $10 million increase in gross premium during this time frame.

What intangible results has your organization recognized?

Organizationally, the university has had a wide range of influence. From a design standpoint, training is addressed with the end business goal in mind…in this case the Five-Year Vision. The skills and knowledge are identified which are needed to achieve the end business goals. From this, specific learning objectives developed. The curriculum and delivery is then built with keen recognition to the behavioral component since changing behavior is necessary in order to impact long-term results.

The university has created awareness that training can drive results. In order to track the relationship, assessments tied to production are now in place that start with pre-work and continue for two years. Following a just-in-time training strategy, agents receive training when they need it the most. The results are now measured at all four levels and corrective action taken where appropriate.

What have you calculated the ROI of the project to be?

Funding for the university had to compete with all other organizational projects. All organizational projects must follow a standard marginal return calculation which is a reflection of the additional revenue generated from the project plus or minus the additional expenses/savings, to net a marginal return analysis.

Comparing current new business sales for 2004 career agents (the key driver of the expected performance lift), with new career agents in 2003, favorable results are apparent. 2004 career agents are consistently out-performing their 2003 counterparts by nearly 20 percent. These statistics are based upon agents in their third month after appointment and university attendance. The above outcome reflects three months of data. This 20% increase represents $1.2 million in additional annualized management services revenue. Expected total additional revenue for 2004 was expected to be one million. So as you can see, Farmers is ahead of their anticipated increase. While they cannot yet declare victory, early results appear to be extremely favorable. The five-year additional revenue projections for the university are at $4.2 million. Again, early indications would indicate these are achievable.

As regard to expenses, the university budget was defined by two categories, development and on going expenses. Development involved the cost to design and launch the university. One time developmental costs for 2004 were an additional $250,000 above the already existing expenses allotted for training of new careers. This $250,000 represents the marginal increase experienced only in 2004. Ongoing fixed university costs are projected in our five year analysis to actually decrease from prior new career training costs due to efficiencies. As a result, post 2004; the marginal rate of return would be significant given the expected and already realized positive average revenue trends noted above, in conjunction with decreasing ongoing fixed expenses for the program.

The above results would seem to reflect a 400% increase on our marginal costs. An integrated strategy to improve production occurred throughout the organization so there may have been intervening factors. However, all information from the Level 1 – 4 evaluation data would indicate the university program was instrumental.

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