

A Business Plan For:
American Medical Insurance Services, Inc.

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Ms. Julia Smith President

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Business Plan Copy Number _____

The following Business Plan is an example of a plan that may be used to aid in the sale of an existing business. Financial projections are not included. From a liability standpoint, we do not recommend that an existing owner attempt to calculate or project what the new owner will achieve. It should be left up to the new owners to calculate their own Financial Projections.

The main emphasis should be on past performance and practices that made the business successful and desirable for purchase. A reference may be made to the fact that if these practices continue, similar results may be expected.

Executive Summary

In 1981, AMI Services, Inc., was formed to offer quality insurance products to the Florida market. The primary purpose of AMI is to provide elderly individuals with Medicare Supplement and Nursing Home insurance policies. As an additional service, Health insurance and Life insurance products are also offered to persons under Medicare age.

AMI is now at a stage where its owner and president, Julia Smith, is ready to sell the business. Ms. Smith is 70 years of age and is at the point where she feels it is time to settle down and retire from the insurance industry.

Background

For many years people have relied on AMI Services, Inc., to provide them with quality insurance products and superior customer service. This has been of utmost importance to Ms. Smith. The additional services provided by AMI were not required or even expected. However, Ms. Smith would have it no other way.

There are many general insurance agents and insurance agencies in the Metropolitan Florida Beach market that offer a good product and service. However, there are very few agents who will go the extra mile by performing acts of service that are not part of the "job description." For example, it has always been a strict policy of AMI Services, Inc., to submit claims for and on behalf of the Medicare Supplement policy holder, or to make copies of the "Explanation of Medicare Benefits" and enter them in a personal logbook.

This book contains a log of each claim submitted to Medicare and the insurance company. This log also contains the name of the attending physician or hospital, actual amount submitted, amount approved, and amount paid to the patient. These are only a few samples of the superior services that are part of the daily routine offered by Ms. Smith.

Annual growth for the insurance products that AMI specializes in is projected to be steady each year of operation.

Concept

The condition of the industry today is such that more and more elderly people understand the necessity for Medicare Supplements, Nursing Home Policies, and Home Health Policies. Each year medical costs are rising, so are other alarming statistics.

Statistics show that one in four senior citizens will be confined to a nursing home sometime during their lifetime! Medicare will only cover a portion of these enormous medical costs.*

The federal government does not cover all of these medical expenses for the elderly through Medicare. In fact, it covers only a small portion of medical and doctor bills, yet the medical personnel and facilities expect payment for their services. Where will this money come from? It should be coming from supplemental policies that are available through agencies like AMI.

Compared to competitive services, AMI's services are not currently being matched or duplicated. A quick glance at the Letters of Recommendation in the Appendix will give a clear understanding of how important Ms. Smith's services and products are to the clients of AMI. The new owner(s) of the business can enjoy as much success, but only if the new management is capable of interacting well with clients and providing superior customer service, is willing to do so, and has the desire to work.

* Source: Department of Health and Human Services

The ability to provide all these important services is a capability unique to AMI Services, Inc. Current clients judge the insurance products and services provided through AMI as superior to those of competitors.

The strategy for meeting the competition is very simple: Offer a competitive, high-quality insurance product, and package it with the type of professional service that you would want in return for your dollars spent.

AMI's target market includes existing customers who do not presently have Nursing Home policies or Home Health Policies and persons over the age of 65 who do not have adequate Medicare Supplement coverage.

AMI is rapidly moving into its expansion marketing phase by directing efforts to the Nursing Home policy market. This approach is generating a tremendous amount of interest throughout the insurance industry, because it is virtually an untapped area for generating business.

Other products/services include Health and Life insurance policies from A+-rated companies.

Responses from customers indicate that AMI Services, Inc., enjoys an excellent reputation. Letters and telephone calls from existing customers come in on a weekly basis, thanking Ms. Smith for her compassion and professionalism. Inquiries from prospective customers also suggest that there is considerable demand for Nursing Home policies.

Objectives

Our objective at this time is to maintain the company in a prominent market position after the business is sold. We feel that within two years the business will be in a suitable condition to increase current sales and commissions into an even greater, more profitable position.

A great opportunity exists to build an agency with several agents. Management can develop a sales force and receive an override of commissions for each sale made by agents. The potential is virtually unlimited. Because of Ms. Smith's severe leg injury, she decided not to take on the additional responsibilities.

The accomplishment of this goal will depend on the new management's ability to intensify and accelerate marketing activities and maintain customer service.

To implement plans for the transfer of ownership to new management, AMI requires an investment of \$275,000.

Management

The management team consists of one woman, whose background includes 15 years of sales and marketing within the insurance industry. Ms. Smith has received awards and honors too numerous to list, but they include Top Sales Representative in the Western Region and in the United States with various insurance companies.

Before starting in the insurance industry, Ms. Smith moved into a prominent position with the Avon Sales Company, as the Top Regional and National Sales Representative. She has also operated several other businesses in a profitable fashion.

She was hired by a large manufacturing company to open sales operations in Australia, but turned down the offer and started in the insurance business. Since that day, Ms. Smith has

never looked back. She has demonstrated that anyone with drive and determination can succeed, no matter what the obstacles are.

Marketing

The fundamental thrust of AMI's current marketing strategy consists of three important elements: (1) telemarketing leads generated by a sophisticated computer dialing system, (2) quality referrals from trusted clients, and (3) leads generated from Ms. Smith's networking with other professionals.

The new owners of the business should expect to maintain a reasonable amount of personal involvement to continue receiving referrals and leads. Ms. Smith spends three days a week, primarily in the afternoons, going on scheduled appointments. The other days of the week are spent taking care of administrative duties.

AMI Services can be characterized as a business offering a service that clients cannot live without. The image for customers to see is a professional, courteous, honest insurance representative, who really does care for their needs and security.

AMI enjoys an established track record of excellent support for its customers. Their expressions of satisfaction and encouragement are numerous, and we expect the new owners of the business to continue these efforts of quality, honesty, and courtesy. Insurance buyers don't always buy the product for its price only. The clients must feel, especially in the age group most of our current business comes from, that they will not have to worry about who will take care of them.

Ms. Smith will turn her client lists, which will consist of names, addresses, phone numbers, and the type of insurance policy each client has, over to the new owner(s). There are more than 300 clients, and each will need to be acclimated to the new owner(s). This transfer of ownership will need to be handled in a personal fashion by Ms. Smith. She will send a formal letter to each of her clients to introduce the new owner(s) and make the new owner(s) feel welcome.

Finance

Actual gross receipts for the past five years, which include new commissions and renewals, are as follows:

1989	\$250,139
1990	\$225,999
1991	\$176,998
1992	\$223,908
1993	\$261,123

Actual amounts paid to AMI Services, Inc., from the various insurance carriers it represents (i.e., 1099s issued at year end) are as follows:

1989	\$201,346
1990	\$209,963
1991	\$123,987
1992	\$210,000
1993	\$221,084

Reflected on the annual tax returns for each year are additional business expenses, which are not accounted for here.

Present Situation

Products and Services

Presently, the products and services offered by AMI Services, Inc., are in the mature stage. Medicare Supplements, Nursing Home Policies, and Health insurance products have been in the marketplace for several years.

Typical customers are aware of these types of policies. Sometimes they do not understand the importance of such products. An educational process is often required by the selling agent to help and assist in the understanding of the powerful importance of these and other insurance products.

Pricing and Profitability

Current prices are increasing because medical expenses keep rising. Profits, or commissions, are increasing with the premiums, because a fixed percentage is associated with the sale of such products.

Customers

Current customers are purchasing our products for peace of mind. Customers are of all ages and come from diverse backgrounds. However, our primary market is within the age group of 65 to 80. This age group represents the majority of our current clients.

Objectives

The primary objectives of our organization are to:

- a. offer a quality insurance product that will benefit the client when the need arises;
- b. sell only products that have a good solid history behind them;
- c. provide a service to each client that we would want provided to us and our loved ones; and
- d. allow the new owners the opportunity to take advantage of Ms. Smith's expertise and hard work, buy a business that enjoys a very good reputation, and obtain a profitable income.

Business Goals

Customers	Integrity
Products	Profits
Quality	People
Growth	Management

This is a list of business priorities that have always been the foundation of AMI's success.

Compared to past performance of AMI, the new management should be capable of achieving a similar or a greater income level. This will depend on attitude toward successful achievements, a positive mental attitude, and the personal services rendered to clients.

Bear in mind that Ms. Smith is 70 years old, and does not always enjoy the best of health, due to her leg injury. However, she is still capable of making a six-figure income with her current clients and marketing strategies. This income has been derived from an average work-week of three to four afternoons per week.

Return on Investment

Based on financial figures presented and produced in the past by AMI, we estimate that new management will begin to realize a return on investment by the second year of operation. This is a conservative estimate, but takes into consideration that the new owner(s) may not have any insurance-, sales-, or marketing-related experience.

Position for Growth

1. Understand customers, competition, and industry.
2. Product/service/channel/customer congruency.
3. Product/service life cycles.
4. Growth by fields of interest.
5. Balance people/management/business goals.
6. Transition from single-point to distributed management.
7. Develop values and culture.

The previous list of activities and priorities should be considered for planning and future growth.

Training

The following training procedures will be offered by Ms. Smith for a period of 30 days following the purchase of the business. This training package will be comprehensive and time-consuming, and will be part of the total purchase price. The training will be offered for 40 hours a week for four weeks—a total of 160 hours—and will consist of the following elements:

- I. Insurance School
 - A. Enroll buyer in insurance school and pay for entrance and exam fees for the necessary insurance licenses required by the state of Arizona.
 - B. Offer any assistance to help pass the state insurance exam.
- II. Marketing
 - A. Show the new owner how and where to obtain names and addresses of potential clients.
 - B. Explain how to select the geographic areas that have the best possible potential clients.
 - C. Show how to determine when and how to contact potential clients.

III. Computer Training

- A. Show how to operate computer system by loading names and phone numbers of persons over age 65 years into the computer.
- B. File names by area and zip code.
- C. Thoroughly explain how to cover the area in a systematic way.
- D. Show how to load phone numbers from the master copy into the computer.
- E. Explain how to have computer call potential clients and record their response.
- F. Explain how to set up lead (prospect) book and record names and addresses of potential clients.

IV. Product Knowledge

A. Medicare

- 1. Who is eligible.
- 2. How to apply for Medicare.
- 3. When client will receive Medicare.
- 4. What the Medicare benefits are.
- 5. The difference between A and B benefits.
- 6. Explain how to fill out Medicare forms.

B. Major Medical Insurance

- 1. Who is eligible.
- 2. How they qualify for major medical insurance.
- 3. Explain how to read the benefits for different insurance plans.
- 4. Explain how to help clients select the best insurance plan for their needs and pocketbooks.
- 5. Explain how to tell the difference between a good insurance company and a poor one.

C. Nursing Home Policy

- 1. Teach how to qualify clients.
- 2. Explain how to check medical records.
- 3. Show clients what the best policy will be for their individual situations.
- 4. Explain what to do if you are not sure a client will qualify.
- 5. Assist clients with the following:
 - a. amount of insurance needed

- b. benefit period
 - c. amount of benefits needed.
 - 6. Teach how to calculate premium by mode.
 - 7. Teach how to fill out application properly.
- D. Home Health Care
 - 1. Explain how to determine who will qualify.
 - 2. Explain amount insurance company will pay per hour for services.
 - 3. Explain who the benefits are paid to.
 - 4. Teach how to help client decide which kind of benefits he or she will need (e.g., nursing home, home health).
 - 5. Explain how to determine which company is best suited for a client's health and pocketbook.
 - 6. Explain how to compare one policy against another, and assist the client in deciding which coverage will be best for their needs.
 - 7. Teach how to calculate premiums.
 - 8. Teach how to use bank drafts.
- V. How to Obtain General Agent's License
 - A. The new owner(s) will need to decide which companies will be best suited for his or her personal needs. Ms. Smith will assist in making this decision. Her experience with several insurance companies will be of great benefit. Ms. Smith will assist new owner(s) to obtain General Agents contracts with the insurance companies that pay the highest commissions.
- VI. Telephone Techniques
 - A. Many techniques are necessary for a successful enterprise to operate. The following items are a representation of some of the skills and "tricks of the trade" to help the new owner(s) accomplish these objectives.
 - 1. When to call potential clients to set up an appointment (e.g. the best time of the day, specific days that are better than others).
 - 2. What to say to obtain an appointment.
 - 3. What to say when clients are not interested.
 - 4. How to listen to what the person on the phone tells you, and how to offer the best insurance plan for his or her needs.
 - 5. How to reconfirm specific points of conversation (e.g., appointment time, address, telephone number, name, directions).
 - 6. Learn when not to make an appointment.

VII. Making the Sale

- A. Ms. Smith will teach and thoroughly explain all the important factors that help solidify a sale for this specific industry. This will be a comprehensive training package by itself. There are many factors to be considered here; however, the following items will give you a good understanding of what to expect in this area:
 - 1. Tell prospective clients how much they will pay in premiums.
 - 2. Tell them when they will pay—monthly, quarterly, or annual premiums.
 - 3. Give a comparison of the policy they have with the one you are offering.
 - 4. Know how to present a Nursing Home policy or Medicare Supplement policy.
 - 5. Help the client decide which policy will benefit him or her the most.
 - 6. Learn when to stop talking and ask for the sale.
 - 7. Learn how to ask for the sale.
 - 8. Learn how to close the sale.

VIII. Submitting the Application

- A. Making copies.
- B. Calculating amount of premium.
- C. How to submit net amount.
- D. How to use the bank draft forms.
- E. How to make a transmittal properly.
- F. How to figure your commission.

IX. Record Keeping

There are too many components of proper record keeping to mention in this section. Ms. Smith will help the new owner(s) set up a proved, successful filing system that will allow him or her to keep accurate records and indexes of all current and potential clients. This comprehensive system will include ways to keep track of purchasing supplies, recording transmittals, a detailed card index, individual insurance companies the new owner(s) will be licensed with, thank-you cards to current and new clients, commissions earned, etc.

X. Handling Cancellations

- A. Learn when a client may cancel a policy.
- B. Learn what the requirements are to cancel.
- C. Learn what statements are required to cancel.
- D. Learn how to get a refund for the client.
- E. Learn how to adjust your files.
- F. Learn how to get a refund for a client if a loved one dies.

There are many other areas that will be covered by Ms. Smith in training and development of the new owner(s). These items are listed as an overview of what the new management can expect.

Customers

Basic Characteristics

The typical customer for our product/service is someone who is 65 to 80 years of age. Their *needs* will vary, but these are the typical ages of our customers.

It is likely that potential customers are going to be retired individuals who are familiar with the products and services AMI offers, and that they will readily accept the products provided. It is important to approach and educate potential customers on what they are considering for their financial security.

Insurance coverage already in use by our customers is primarily Medicare Supplemental insurance, which is seen as a tremendous help in convincing present customers to purchase Nursing Home policies as well. This is a ripe market that is ready to be approached. A large majority of AMI's clients do not own a Nursing Home policy.

It is easy to understand why the principal buying motives are financial security for themselves and their loved ones in the event of required professional assistance. A fair question to be asked is "How sensitive are they to pricing differences?" Most of Ms. Smith's customers are on a fixed income, and therefore cannot afford to purchase the most expensive insurance product on the market. For this reason, AMI offers affordable, top-rated insurance products.

In reality, when prices are fairly competitive, the people will buy from the person they are most comfortable with. That is why Ms. Smith has been so successful in her industry. People simply like her and appreciate her professional service. And in her words, she has a purpose each day to get up for!

Customer List

Due to the extremely confidential nature of the agent/client relationship, and as a form of protection to Ms. Smith, the names of the clients are not listed in this publication. However, once an escrow account is established for the purchase of the business, Ms. Smith will release a complete list of her clients to the new owner(s).

This also applies to the insurance companies. Their names, addresses, phone numbers, and contact persons will be released upon the opening of an escrow account. Ms. Smith has formed some very important relationships with major insurance companies. These relationships are critical to the success of a general agent in the insurance industry. A smooth transition from Ms. Smith to the new owner(s) must be handled in a personal and professional manner.

Conclusions and Summary

The plan and outline that have been presented represent a small portion of the enormous potential of this business. The insurance market is a wide-open industry that has made many agents, general agents, and insurance companies very wealthy.

The services that have been provided by AMI Services, Inc., have always been honest, fair, and ethical. This will be expected from the new owner(s) of the business, and will hopefully be of utmost importance to him or her, as it has been for Ms. Smith.

The particular market niche that has been carved out by AMI serves as a strong foundation for the new owner(s) to consider. Medicare Supplements and Nursing Home policies are a necessity for thousands of people in this area.

The capital required to purchase AMI Services, Inc., is \$275,000. The total balance is due and payable within 7 days of signing the Agreement of Sale. AMI will not finance any portion of the sale price. Once the financing is in place, training will commence and continue for a total of 160 hours, over a 4-week period, 40 hours per week.

Renewals that are currently coming in to AMI Services, Inc., as a result of sales over the years will be turned over to the new owner(s). This represents an average range of \$2,000 to \$3,000 per month in renewal commissions. The new owner(s), then, will realize an immediate return on the investment. This will give the new owner(s) a chance to begin training, contacting current clients, and developing new clients, without having to worry about generating immediate business.

Ms. Smith has devoted many years of her life to building AMI Services, Inc., into a reputable, money-making business. It is her desire and objective to sell her insurance agency to someone who will continue to enlarge the business and take care of the existing clientele.

Whoever has the proper work ethics, vision, and desire to succeed in the insurance industry will reap the rewards more quickly with a sound business already in operation. AMI Services, Inc., offers this type of luxury to the person(s) who wants to operate his or her own insurance agency.

Appendix

Author's Note:

List all supporting documentation in the appendix section as noted and referenced throughout your business plan.

Remember, this information should be clearly and neatly presented so the reader of your business plan can easily reference and understand the data being provided.