

## WHAT WORKS

BY PETER VAN AARTRIJK JR., CIC

# Plain

**CHALLENGE:**  
Attract niche customers.

**SOLUTION:**  
Understand and respect  
the community's ways.

Independent agent Paul Sheaffer doesn't use TV advertising to reach his target audience. He can't conduct a phone campaign to them, nor send them e-mails. He just, well, shows up. You know, at their house or workplace. ▶



# Spoken



**'They don't believe in insurance within their community.'**

### What We Learned

**E**arly on, Paul Sheaffer tried to diversify his agency's client base beyond the Amish community. But the firm had been doing so well among the Plain People, that he didn't pursue it much further.

Now he again is looking at expanding among "English" customers. "We're a little vulnerable right now," he says. "With the soft market in construction [an Amish mainstay], we're a little flat."

—P.V.

Really.

Sheaffer owns a second-generation agency in Intercourse, Pa., that caters to the Lancaster County Amish community. This deeply religious group, descendants of 17th century German Anabaptist Christians, lives according to a strict code of behavior that emphasizes humility and separation from the non-Amish world. While their horse and buggies and old-

fashioned attire are familiar to Pennsylvania Dutch Country tourists and anyone who has seen the Harrison Ford movie "Witness," there are significant complexities to insuring this "simple" life.

Sheaffer has built a successful agency by understanding those nuances: 75% of his commercial accounts and a third of his personal clients are Amish, or Plain, as they are also known. That penetration has been no simple task, as Sheaffer and his family are not Amish—but rather "English," as the Plain call all outsiders, regardless of ethnicity. Before joining his father's agency back in 1974, he says, "I had not been exposed to the Plain community and had to learn ASAP."

Learning the Amish way is not done quickly. Their code of conduct is an oral tradition called the Ordnung, and even among trusted English, there is a reluctance to talk about themselves (it's not humble). And Sheaffer was thrust into the business more quickly than he had planned. His father, Paul I. Sheaffer, had founded the agency in 1952, after working for a local MGA. Paul II had not yet

### Paul I. Sheaffer Insurance Agency

Intercourse, Pa.

**FOUNDED:** 1952

**GROSS P&C REVENUES:** 2006, \$2.2 million; 2007, \$2.34 million; 2008 (est.), \$2.5 million

**INSURANCE EMPLOYEES:** 16

**REVENUE PER EMPLOYEE:** \$156,000

**BUSINESS MIX:** Commercial property-casualty, 65%; personal p-c, 20%; benefits, 15%

**CARRIERS:** Capital Blue Cross, Chubb, Cincinnati, Donegal Mutual, Eastern Alliance, Goodville Mutual, Health America, Highmark Blue Shield, Millers Mutual, Peerless, Penn National, Selective, Teachers Protective, Travelers, United Healthcare, Westfield

**CLIENT COUNT:** Personal, 2,500; commercial, 1,250

**RETENTION RATE:** 92%

**TECHNOLOGY:** AMS 360

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joined the agency when his father died suddenly in 1974. The 22-year-old insurance novice was lucky to have a veteran producer among the four-person firm, and he spent the next 10 years learning all he could from him about the business and the agency's Amish customer base.

"The community was very understanding" of his situation and naiveté, he says. "They gave me an opportunity to survive."

Sheaffer has spent the ensuing years doing the same for the Amish—giving them a way to navigate the complex insurance requirements facing business owners and individuals without breaching their inviolate beliefs.

The Amish traditionally have made their living as farmers. But with diminishing returns for small farms, more are turning to non-agricultural jobs. Among Sheaffer's customers, the most common are artisan contractors for construction



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## Another Community

**P**aul Sheaffer is involved with another group that is pivotal to his business success: The Insurance Alliance of Central Pennsylvania ([www.tiacp.com](http://www.tiacp.com)), a cluster of 11 agencies in the central, southeastern and greater Lehigh Valley regions of the state.

The Insurance Alliance came together in 1997 to better attract markets to their firms, and it has grown into one of the largest agencies in Pennsylvania, writing approximately \$240 million in commercial and personal lines premium volume. Alliance agencies have a combined count of 86 producers, 92 customer service representatives and 80 support personnel. The organization is led by President and CEO Jane D. Koppenheffer, CPCU, AAM, ARP.

For Sheaffer, the cluster has brought access to a greater array of companies, while also providing a perpetuation plan for his agency.

—P.V.

companies, including large non-Amish firms; wood products manufacturing and farmers' markets, which have evolved from simple booths to large establishments in old supermarket buildings. And all these enterprises require some insurance coverage, and a bit of finesse by Sheaffer to get them covered appropriately.

"They don't believe in insurance within their community," explains Sheaffer of his Amish customers. "But they understand that they need it to do business with the outside world."

Some examples of the unique challenges of serving this constituency:

**Homeowners insurance.** Traditional Amish don't have a need for outside property insurance, since the community provides for its own: Amish Aid charges a rate of \$1 for every \$1,000 of contents coverage, but that money is only collected (and usually by the bishop) when there is a loss within the community. If there are multiple losses within the community, individuals will pay multiple times. The policy only covers the building's contents and building materials, however, as the community comes together to rebuild the house or barn itself. But Amish Aid doesn't provide liability coverage, so Sheaffer's customers will come to him for that.

Banks that cater to the Amish understand these arrangements, but outsider banks typically don't. And they, of course, require complete homeowners insurance before they'll lend money. This has been a relatively new challenge for the Amish, especially younger homebuyers.

**Horse-and-buggy coverage.** Sheaffer's most common personal lines risk is the horse and buggy. Amish are forbidden to own or drive automobiles, so most families have a horse pulling a modest gray or black buggy. But these horse-and-buggies interact with plenty of 21st-century vehicles and non-Amish pedestrians and drivers, so they have to carry insurance.

"Horses do get loose, and the Amish are very aware of litigation issues," says Sheaffer, who has only one carrier, Goodville Mutual, that will write that business. "It's our bread and butter. We write two to three a month."

**Commercial auto.** While Amish won't own vehicles, they recognize the need for commercial transport of their goods and employees. So, Amish business owners often will lease work vehicles and hire an English driver. This makes for interesting commercial auto applications—with the lessee not the primary driver—and usually requires some explanation to new underwriters.

**Health/workers' comp.** The Amish take care of their own sick, injured and elderly members. As a result, they see no need for health insurance, workers' comp or Social Security benefits. In Pennsylvania, religious exemptions are permitted for workers' comp (and nationally for Social Security), but it can be difficult to write a business with multiple waivers.

"I'll go into a factory and only have workers' comp on three guys in the plant," says Sheaffer, who points out that the local Amish bishop has to attest to the waiver. "When insurance companies do audits—especially with non-carrier auditors—that's my biggest challenge."

**Communications.** The Amish are the original "off the grid" community, foregoing electrical and telephone services, which are viewed as intrusions by, and dependence on, the outside world. Often, several families will share a phone booth or shack, which allows for occasional or emergency outgoing access without encouraging an indulgent lifestyle. Cell phone technology allows Plain business owners to remain wireless but still function in a commercial environment, and these are increasingly popular (though not allowed to be used at home). Still, much of Sheaffer's communications are in person. His agency has significant walk-in business, and he often visits clients in their homes, workshops or on construction job sites.

Despite the challenges of writing the Amish, Sheaffer insists they're a better risk.

"I have a better success ratio with them. Better loss ratio, better retention," he says. "And they're honest folks. I've never had a bankruptcy, never had owed premium."

After 52 years in the same downtown location and two generations of owners, Sheaffer Insurance has earned the trust of this Amish community. It comes down to respect for their traditions, says Sheaffer. "You have to understand the uniqueness." □

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