

## Bopping Agents Over the Head

*Deeper usage of predictive models by carriers to assess and price business owners policies is putting pressure on agents to improve their commercial-lines data download.*

By Cyril Tuohy

As more insurance carriers use predictive modeling to assess and price business owners policies, agencies are feeling pressure to improve their commercial-lines download capabilities, according to analysts and industry sources.

Larger agencies have seen the need to upgrade their agency management systems, but smaller agencies with smaller budgets, need to reassess "on how aggressive carriers are going to be out there in the future with ... issues like predictive analytics," says Karen Pauli, senior insurance analyst with Tower Group.

Smaller agencies with tighter budgets have often held back, preferring other "early technology adopter" agencies take the lead. But as carriers improve their tools, they are getting much better at accurately pricing small commercial risks.

The more data a carrier uses, the more accurate the model built to predict and price the risk posed by a small business and, as such, the more likely an agent is to bind a profitable deal, says Mike Fess, a product manager at Conyers, Ga.-based ImageRight, a provider of document management and work-flow applications.

A decade ago, for example, a carrier might have offered an agent a quote based only on the ZIP code of a car-parts factory.

Today, that same quote takes into account whether the parts factory is built with sheetrock or brick, whether 10 or 15 bolts are used for every three feet of wall, or even whether workers enter through a guarded gate or through a metal detector.

But when push comes to shove, will commercial-lines agents scream for better agency management software in their agencies?

Leaders of organizations representing the nation's insurance agents have no doubt that some agencies will drag their feet but remain hopeful that, overall, agencies will quickly adopt commercial-lines download technology over the next five years.

It's ultimately in the best interest of the agents. If carriers can give agents a more accurate price on a policy, and the agency can download the data quickly and accurately, agents are likely to close more deals, and the agency's overhead is likely to shrink.

One Texas-based agency with six branches, for example, has cut its processor personnel by eight people, thanks to the adoption of commercial-lines download, a process officially called Commercial Lines Policy Detail download.

Even so, agencies are going to need some incentive to upgrade their systems, says Tana Sabatino, president of Fort Lauderdale, Fla.-based Vallue Consulting Inc., and in such a way as to make life easier for agents.

"Giving data to agents in XML is making life easier for the carriers but not the agents," she says.

These days, it's not unusual for agencies that have adopted best-of-breed agency management systems to download business owners policy, general liability and commercial auto data--all in the blink of an eye--adds Doug Johnston, vice president of partner relationship and product innovations at Applied Systems Inc., a major vendor of agency management software located in University Park, Ill.

He says Applied Systems has seen a 29 percent increase in all data downloaded into agency managements systems in the spring of 2007, compared with the spring of 2006, with much of that increase coming from commercial lines.

"That's a huge increase," he says.

While the use of predictive models to write BOP coverage is putting pressure on some agents to upgrade their systems, the models are also being used for decision support in assessing larger commercial risks, says Tower Group's Pauli.

**NEW BUZZWORD: "REAL-TIME"**

Cutting-edge agency management software is allowing agents to download data from carriers almost instantaneously over the Internet, according to Ellen Kiehl, assistant executive director of the Professional Insurance Agents of New York, New Jersey and Connecticut.

Last spring, about 150 agents from New York, New Jersey and Connecticut were invited to a demonstration that showed how quotes could be returned to agents from multiple carriers in less than 30 seconds.

"We're seeing lots of real-time rating in commercial lines," says Johnston. "The reason is that carriers are getting very complicated with their rating with predictive modeling."

Despite what the vendors say, it still might not be enough to entice a sizeable portion of commercial-lines agencies to adopt commercial-lines download, particularly when many agents are still forced to use proprietary data systems maintained by carriers.

Keith Savino, a principal with WRG Sanford Insurance, a commercial- and personal-lines agency serving New York and New Jersey, says agents are more at ease with their agency management systems than they were in the past, as the software has improved.

"They (agency management systems) have come a long way in the past 24 months, and I think that most agents will be pretty happy with what they see over the next 12 to 18 months," he says.

Savino, who is also chairman of the specialty-lines work group with the Association for Cooperative Operations Research and Development, which lobbies for common data standards in insurance, admits some agents prefer to adopt a wait-and-see attitude.

For agency principals who've put off looking at new agency management systems, they should give them another look.

"Any agent that has not looked at a rating vendor or looked at doing it from their agency management system directly in the past 12 months needs to look again," he says.

"They will be pleasantly surprised at how far they've come."

"I also believe that, if it doesn't satisfy them today, they don't need to wait two years. They should be looking again by the fall because all the vendors in this space have had to work not only to get the integration, but the real-time transactions in the background that the agents don't even see," adds Savino.

While the use of predictive modeling by carriers might be nudging agents to adopt better agency management systems, is it also forcing carriers and agencies to complete transactions instantaneously, or in "real-time"?

Yes and no. Downloading commercial-lines data from the agent to the carrier and back to the agent has always been more difficult to execute than with personal lines because the variables are more complex.

Johnston at Applied Systems estimates about 70 to 80 carriers offer real-time commercial-lines download transactions.

He also estimates that about 4,000 agencies are executing instantaneous transactions regularly.

Speed makes a difference, and Savino doesn't mince words describing why that is.

"If you've got two companies doing a business owners policy rating, and one does it in real-time and you get a quote back in under five minutes, and another person does it and it takes 23 minutes to enter, you have to make some decisions about how you want to do business," he says.

Bill Bunker, senior vice president of products and marketing for Bothell, Wash.-based AMS Services Inc., says that, while there's some "momentum" around downloading data for business owners policies and small commercial policies, it's still "not overwhelming."

The slow pace of automating commercial-lines data download is also due, in part, to the infighting between agencies--the larger ones in particular--and carriers over technology.

Nearly all agents prefer to work out of the agency management software systems. Carriers, however, prefer that agents use their proprietary systems and Web sites. But that might change.

Chicago-based carrier CNA, for example, has agreed that agents are better off working within their agency management systems rather than submitting to the demands of the carrier's system. As a result, the carrier has taken steps to make life easier for agents, according to Bunker.

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