

**Independent Agencies Making a Paradigm Shift**  
***A Conversation with Young Agents***  
By Jeff Yates, ACT Executive Director

ACT's Strategic Future Issues Work Group had a focus group with ten Generation X independent agents attending the Big I Young Agents Conference in San Diego this past September. Facilitated by agency consultant Steve Anderson, we probed the young agents on how they see their customers' expectations changing and how they believe their agencies will need to respond. Most interestingly, these agents agreed that their agencies should make a paradigm shift to remain competitive in the future and made several recommendations as to how the carriers could help them in this transition.

**Profile of the Young Agents**

The participating young agents were in their 20s and 30s and are primarily focused on commercial lines production. Most were from family agencies, large and small, located in rural and suburban locations. To a person, they are strapped for time and are striving to create more free time to spend with their families.

They do a lot of their buying online to save time and do not waste time on sites that do not give them a good user experience. They are totally comfortable using their credit card online and like the value added services they receive – such as automatic resending of products or emails alerts when they are about to run out (drugstore.com) and customer rankings of products. They love Google Alerts because they can get automatic emails when there is new information about a client, competitor, vendor, carrier, or industry their agency is targeting. They usually go online first to get information or resolve a problem.

These agents define good customer service to be – they know what I want and they anticipate how I want to do business. They like the Southwest Airlines business model not only because of the easy to use technology, but because their employees have a good attitude and they do not try to take advantage of the business traveler.

The agents use instant messaging internally within their agencies and use text messaging in their personal lives. They particularly like text messaging because it is currently reserved for personal messages from family and friends, and they do not want to receive business and commercial messages this way. They believe their clients would feel the same way.

The agents are using email primarily with their commercial clients and their carriers. One of the agents has started to use live Internet meetings with commercial lines clients where appropriate when the client is located some distance from the agency.

The young agents use a lot of the electronic newsletters to get their industry news, but also try to read the industry magazines when they can find time. Some of the agents have started to download podcasts of sports news and news summaries.

Even though these agents are not the primary users of technology in their agencies, they get frustrated because they perceive that the technology they use in the business is considerably behind the technology they use in their personal lives.

### **Changing Customer Expectations**

The agents find their customers to be more knowledgeable than ever and want convenient options to deal with their agent when and how they see fit. One agent cited his cell phone company which provides him an email when his bill is due, with a link to pay the bill right there in the manner he chooses.

The agents believe most of their customers also have done insurance research on the Internet and perhaps have gotten quotes there, particularly in personal lines. One agent cited comScore's 2007 research which found that over fifty percent of recent purchasers of automobile insurance from agents also got a quote online.

The agents believe that their customers perceive personal lines and small commercial lines to be a commodity. One agent estimated 20% of his customers are with him for service and 80% for price. Another pointed out that most of his customers could replace him as agent and stay with the same carrier in his town, because his carriers are so widely represented there. Still another said that even though his agency provides his construction clients loss control, human resources, and Department of Transportation consulting services as a value added, his price must continue to be in the ballpark to keep the business. The agents concluded that even in this highly competitive, commoditized environment, the keys remain building relationships with customers, providing distinctive value added services, and providing responsive service.

The agents said that another change they have noted is that their customers want to have the option to pay by credit card so that they can get miles or points. Several of their carriers offer this option, but this remains a challenge on agency billed business.

The agents see the primary customer interest in their Web sites to be for information about their agency and for information and services relating to their policies – such as getting billing information, making payments, printing auto id cards, and generating certificates of insurance. Some of the agencies are generating online sales for certain specialty lines such as travel insurance and horse mortality insurance. So far, auto insurance and certain specialty coverages seem to be the only areas where online sales have taken off, but the agencies worry about “the model that has not been created yet” making a big impact on other lines of their business.

### **Shift in the Agency Paradigm**

The discussion brought out that there needs to be a major shift in the type of value that independent agencies deliver. The value is no longer in the transactions that the agency performs. Customers today take these as a given. They are looking for a new value from the agent that justifies the customer's buying from the agent rather than just going online. One agent said, “If we just turn ourselves into order takers, we're out of business.”

Another said we need to make transparent to clients all of the services we provide for them, such as the fact we have searched the market and here are the best options.

This new value for personal lines customers might be pro-active risk assessment, providing cost saving options, claims counseling, disaster planning advice, etc. For commercial lines customers, it might be risk counseling with a special understanding of the particular industry, claims experience analysis for loss control, verifying experience modifications, assisting with the audit process, human resources counseling, disaster planning and recovery, legal and accounting seminars, etc.

A paradigm shift in the value the agency provides its customers requires changes in the functions agency employees perform. Processing of transactions needs to be automated to the maximum extent possible, so that time is freed up for agency employees to be repositioned to provide these new services. In order to accomplish this, there must be a second paradigm shift and that is in how agency employees do their work, in how agents transact business with their carriers, and in the number of transactions customers can perform for themselves on agency Web sites. Industry initiatives such as – Real Time, Download, eliminating paper, and enhancing agency Web site Functionality – are creating the critical tools agencies will need to make these paradigm shifts.

The young agents expressed their frustrations with many of the older CSRs in their agencies who are reluctant to change and use the new technology tools that are available. One mentioned how the younger CSRs work fully electronically, while the older CSRs are reluctant to move away from their paper files. Another agent noted the importance of the agency's taking the time to train the CSRs on the capabilities of their agency management systems so that more of the system's time saving features are used. The young agents also expressed their frustration with some older agency principals "who stand in the way" of the agency's making the changes necessary to implement improved technologies and workflows and to transition their employees to more value-added roles.

### **How Carriers Can Help**

The young agents had several recommendations as to how the carriers could help them make the needed paradigm shifts:

- Implement Real Time, Download, and other of ease of doing business initiatives, so that agencies can reduce processing time.
- Reduce the time it takes to get a quote and eliminate as many of the "40 extra questions" as possible.
- Use Web services to prefill underwriting info, such as building size, age, etc.
- When the carrier has an interaction with the customer, share that information with the agent. Examples would be alerting the agent when the customer has filed a claim and providing claims download.
- Help agents provide customers with valuable risk management and loss control information by making real-time claims data easily available to agents, flagging important trends in that data, and providing useful analyses of that data.

Another important way for carriers to help agencies is to make their information more easily accessible. One agent said it takes him two hours a week to filter through his carrier emails. The agents recommended that carriers:

- Provide a Google Alert type capability so that agents can specify the type of information each of their employees will receive automatically.
- Provide a robust search engine on the carrier Web site and provide past notices on the site so the agent can retrieve them easily when needed.
- Make it easy to locate any needed forms or endorsements and manuals online.
- Use email notifications sparingly and only when important. The agents said that when carriers send three or four emails a week, they delete them without reading them. Also, specify in the email the employees in the agency to whom the email has been sent, so the agent knows when forwarding is necessary.

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