

The agent of the future

The need for digital sales tools and closer collaboration with insurance carriers



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The agent of the future is emerging as a proactive advisor in a digital world.

About the survey

EY published a digital survey of 530 insurance agents in 2017. Topics included the future of agents, digital ambitions, assessment and perceived value of carriers and desired products. The findings focus on trends and differences in the United States.



Note: Figures throughout this report have been rounded to the closest 100%.

Executive summary

The direct channel has a major impact on the distribution landscape, as customers become the focal point for every transaction and sale. More agents consider the market shift toward online or direct sales a major constraint on the growth of their business. This concern is expressed by life insurance and property and casualty (P&C) agents across the board — whether selling commercial or personal lines.

Less paperwork, better sales tools and simpler processes will enable agents to be more responsive and effective in customer servicing, claims management and product development. Emerging technologies, such as digital wearables and telematics, and usage-based insurance (UBI) are providing data sources for underwriting and analytical capabilities to better manipulate and interpret data. These are improving the way insurance companies manage back-office functions and detect cyber threats and other risks. The future is tied to innovation and product simplification, which represents bold cross-selling opportunities for carriers.

EY surveyed 530 P&C and life insurance agents to better understand trends, growth strategies and ways in which engagement rules have changed. They were asked about carrier selection, support and perceived value, as well as future growth engines and how they see their role as agents evolving in three to five years.

In this report, we explore four key themes from our survey findings:

1 The threats of direct-to-consumer and digital business models are driving insurance agents' desire to use **digital** and social sales tools.

2 Agents expect carriers to enable simple customer experiences, which in turn will drive agent **loyalty**.

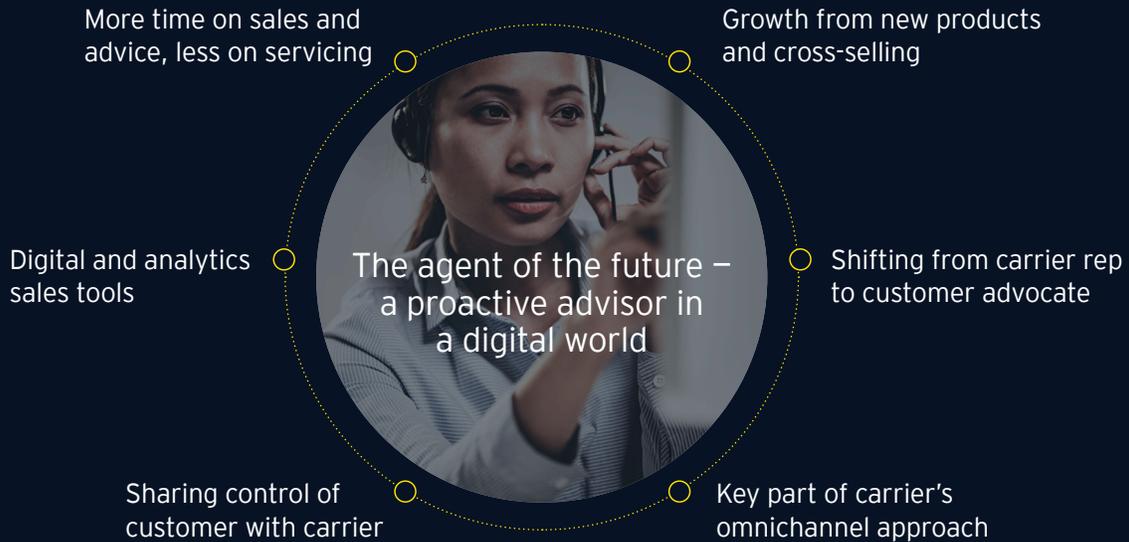
3 The agent of the future is looking for **innovative**, customized products to meet changing market and customer demands.

4 Agents see close **collaboration** with carriers (such as more access to underwriters, less servicing by agents) as driving future growth.

As agent roles evolve and become more relationship-based, they will need to focus more on customer-facing technology and analytics.

The agent of the future is emerging as a proactive advisor in a digital world (see *Figure 1*). This new role is characterized by increased use of digital and analytical tools in the sales process and greater collaboration with carriers to deliver enhanced customer value.

Figure 1



Most agents are positioning to be part of the digital future, though some are not.



KEY THEME

1

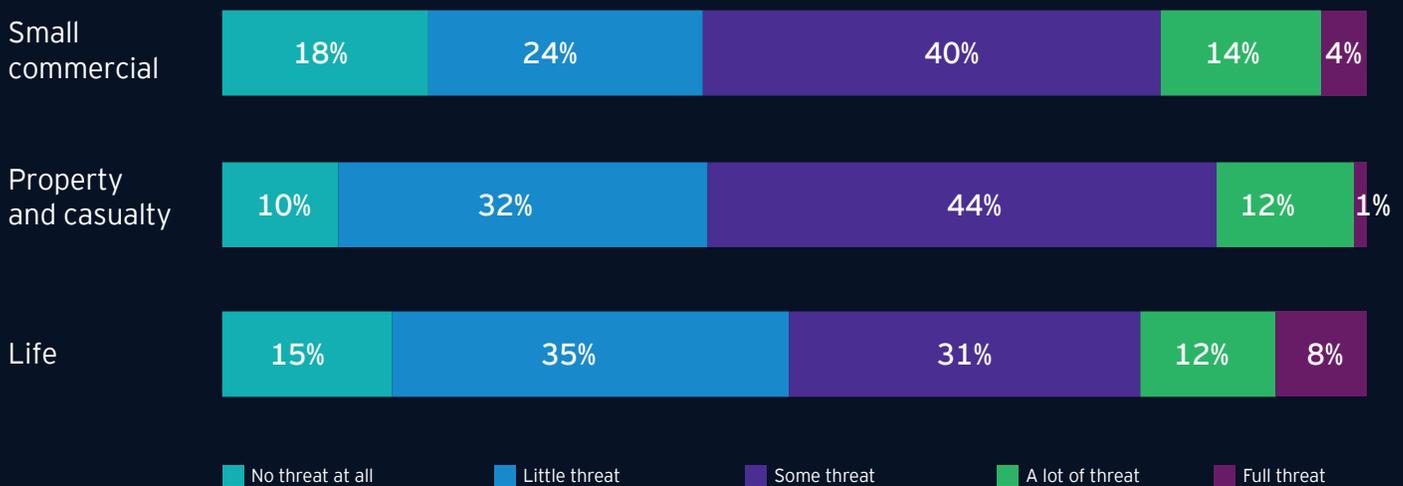
The threats of direct-to-consumer and digital business models are driving insurance agents' desire to use **digital** and social sales tools.

Agents are concerned with how they fit into the trend of more direct-to-consumer and online insurance models; however, they hold differing opinions on the degree of impact.

While one-third of life insurance agents see the direct-to-consumer channel as some threat to their business, 12% view it as a major threat and 8% consider it a full threat (see Figure 2).

Figure 2

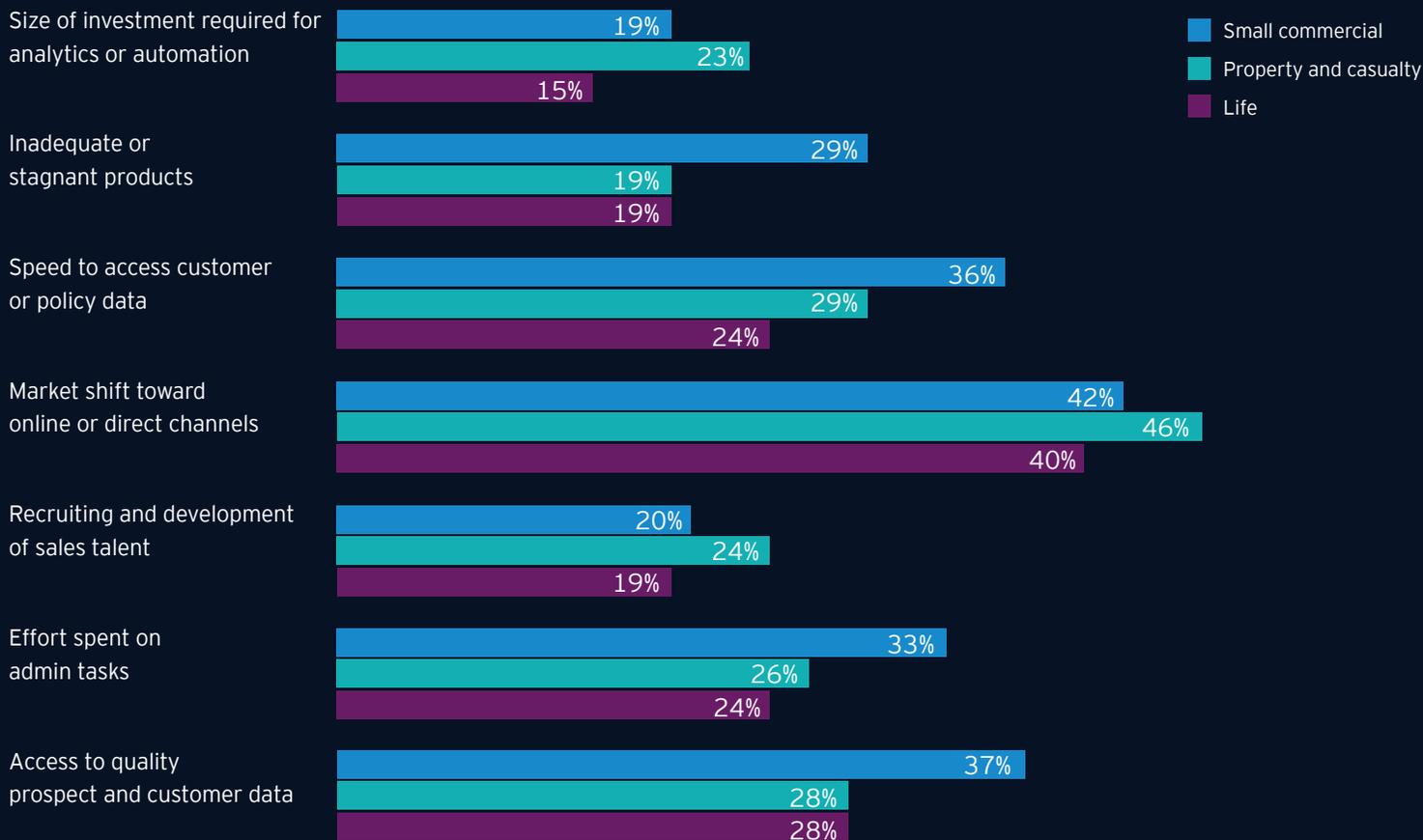
Extent to which the insurers' direct-to-consumer channel poses a threat to the agent's business



Moreover, most agents view the market shift to direct-to-consumer and online channels as the major constraint on the growth of their business going forward. Inadequate products, investment in

analytics, administration and automation, and speed and quality of access to customer or policy data also are constraining growth (see Figure 3).

Figure 3
Major constraints on the growth of agents' books of business



Agent perceptions of carriers

While carriers begin to explore alternative distribution platforms, agents still believe they add value in the channel mix and want to be actively engaged with customers. In fact, three-quarters of agents view intermediated business channels as important for carriers, with 22% neutral about the value; only 3% fail to see the importance of these channels. It may be that these are agents who have given up on themselves.

Survey findings reveal that agents who sell commercial insurance best understand how they fit into their carrier's strategy, while those who sell personal lines and life insurance understand the least. Only 19% of agents selling personal lines believe they understand it well, compared to almost 30% of agents in all other categories. On the life insurance side, those selling personal lines rate their understanding marginally higher than others.

22%

of agents believe they understand very well how they fit into their carrier's strategy.

Growth is a major concern

Additionally, the landscape of consumers is rapidly evolving from “traditionalists” to “technologists.” More than three-quarters of baby boomers use the internet, while Gen Xers are established in their professional work and are mostly married with homes and children. Millennials are the largest customer group in history – and a target growth area for most industries, including insurance. Agents indicated that they need different tools and products to meet the needs of these groups and capture the growth they represent.

As long as agents continue to be engaged in the market, they look to balance new customer acquisition and cross-selling. Half of all agents prefer to use a balanced approach to increasing wallet share or number of customers. Life agents remain more unsure about their approach or prefer to acquire more customers, which is understandable given the difficulty in selling ancillary products (see Figure 4).

Agents currently value basic functionality (e.g., operations and sales); however, the agent of the future will be concerned more with digital capabilities and tools (see Figure 5). The quality of tools plays a large factor in the decision-making process. Life agents are less satisfied than P&C agents with the online tools that carriers provide. Our research shows that there is an opportunity for life insurers to improve their online and mobile capabilities.

Figure 4

Agent preference between increasing number of customers and growing wallet share



Figure 5



60% of agents cite availability of better tools affects their preference for using certain carriers.



35% of agents cite availability of better tools as a major reason for switching carriers.



35% of agents want better customer relationship management tools.

While carriers are expected to maximize their digital platforms and enable smoother operations and servicing for agents, they also seek more channels (e.g., social media) to engage their customer base. Social media ranks high in importance for all agents. Personal lines have lacked adoption compared to other lines, but presents opportunities to engage customers or prospects going forward.

Implications for insurers

The direct-to-consumer model is emerging as a primary threat to agents. In response, agents are looking to social media to help generate leads and grow business as less time is spent on servicing. They are using analytics-guided sales tools that can be viewed on a mobile device. The image on the tablet is helping the sales process by asking customers relevant questions about “how” and “why” they are making decisions. Carriers are also trying to create a seamless experience for agents and customers by owning client servicing and enabling agents to shift from being a carrier representative to being a customer advocate.

Case study

Agent experience design and tool selection

Objective	Services	Value provided
<ul style="list-style-type: none"> ▶ The insurance carrier wanted to deliver a digital agent experience, supported by straight-through processing and modern technology. 	<ul style="list-style-type: none"> ▶ Developed future agent experience journeys from recruitment, through appointment and licensing, to ongoing agent management ▶ Identified potential technologies to support implementation of the vision and assisted in the selection of best-fitting distribution and portal technology ▶ Developed detailed implementation plan 	<ul style="list-style-type: none"> ▶ Helped client mobilize agent experience and technology workstream to augment ongoing policy administration and claims systems modernization ▶ Increased speed to premium and premium volume

KEY THEME



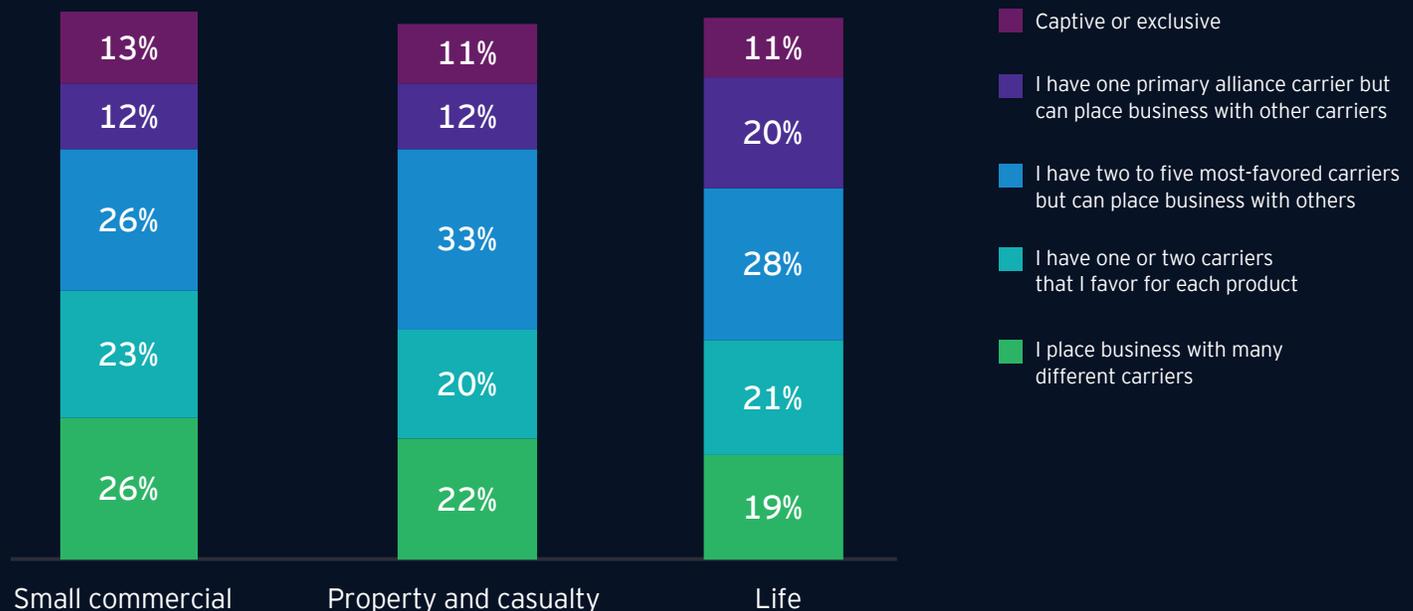
Agents expect carriers to enable simple customer experiences, which in turn will drive agent **loyalty**.

Today, 90% of agents tap into multiple carriers when doing business, forcing insurance providers to rethink their value proposition and ability to differentiate (See Figure 6).

Personal P&C agents are more likely to have two to five most-favored carriers, while those in commercial lines tend to favor one or two carriers for each product. Only 12% have one primary alliance carrier.

Agents consider aspects such as agent or customer experience when choosing where to place business, though the degree to which these aspects influence placement decisions varies across insurance types. Of greater importance is how they rate particular carriers. Nearly half of commercial and personal P&C agents consider customer and agent experience when choosing a carrier to do business with, compared with 27% of life agents.

Figure 6
Carrier preference of agents



Agents need support from carriers

When asked what carriers could do to ease the operational burden on an agency, respondents universally identified better communication, improved customer service and underwriting. Commercial agents also cited less paperwork and working with one underwriter in the top three, while life agents ranked speed to underwriting and access to underwriters as key areas for improvement.

Agents think simplicity is the key for carriers to improve the customer experience. Across product types, agents have different opinions of what carriers can do to improve their responsiveness to customer service or claims; 45% want fewer forms and less paperwork, while 35% propose simpler products and better online tools for customers.

More robust platforms and access to product-specific sales support were mentioned as major reasons for switching carriers. More competitive commissions, billing and collections and reporting were also cited as top criteria for the selection process. Digital onboarding and account management tools, event management and applications for sales leads were listed as needing improvement.

Better sales tools, technology and analytics

Life agents are more focused on systems that support new leads and better underwriting, representing an opportunity for improvement. While 65% of commercial and P&C agents rate current tools as very good or good, only 45% of life agents rank them as such. The larger the agency, the higher the quality rating.

While a third of respondents interact via a web portal, a quarter prefer the phone. Agents also prefer to stay involved with carriers by interacting directly with customers. This is most important for personal P&C agents who want to be actively engaged, not just informed.

Implications for insurers

Carriers need to step up their game by improving agent tools and distribution management technology. These efforts will contribute to enhancing customer relationships and strengthening salesforce and service effectiveness. Maximizing digital platforms will enable smoother operations and servicing for agents.

10%-20%

prefer to connect through a smartphone app

5%

prefer to connect by text messaging

Case study

Digital experience strategy for a mid-sized personal lines insurance carrier

Objective	Services	Value provided
<ul style="list-style-type: none"> ▶ The board of directors realized that the company was losing ground because of a lack of a digital presence, investment and strategy. 	<ul style="list-style-type: none"> ▶ Developed digital capability framework, agreeing on different experiences across the insurance value chain ▶ Conducted competitive analysis, identifying foundational, competitive and market-leading capabilities for each experience among competitors ▶ Framed digital strategy, forecasting market-leading capabilities and scenarios ▶ Built investment model, determining high-level initiatives for each capability identified during strategy brainstorming session; modeled alternative investment scenarios 	<ul style="list-style-type: none"> ▶ The client received a comprehensive digital strategy for agents, policyholders and employees. ▶ Customer journey maps were produced, touch-points identified and technology needs assessed. Competitive analyses enabled development of a differentiation strategy. ▶ A technology road map was created with investment requirements and presented to the board of directors.

KEY THEME

3

The agent of the future is looking for **innovative**, customized products to meet changing market and customer demands.

Innovation will require product change

Agents agree that seeking new and innovative products and increasing campaign activity are key areas of focus in the next three years (see Figure 7).

Across the board, investing in infrastructure seems to be a low priority for growth; less than 15% of respondents plan to invest in the next three years. Future growth will come by shifting from a "one-size-fits-all" agency model to simplified products that leverage technology, analytics and digital applications to be more responsive to customers' needs.

Product innovation is critical to the agent of the future's expanded basket of products. All agents place significant value on innovation that facilitates new business. Nearly half of commercial agents perceive technology that automatically identifies potential opportunities within their existing book of business as highly important.

From an agency size perspective, companies with 200 to 500 employees perceive this type of innovation as significantly important. Smaller agencies of fewer than 10 agents and sole proprietorships place less value on this type of innovation.

Nearly half of all agents cite increased product customization as key to addressing changing market needs. In line with customization, 40% would like products with many available features to meet a wide set of needs.

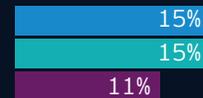
The majority of agents believe that carriers could be more innovative by producing more simplified products that require less explanation and better address the needs of millennials. Only one-third believe product innovation designed to meet the needs of Gen Xers and baby boomers will help them grow their business. This is in stark contrast to life agents, where more than half are considering the needs of this target audience.

Figure 7

Steps to grow the business over the next three years

■ Small commercial ■ Property and casualty ■ Life

Investing in infrastructure



Increased product training



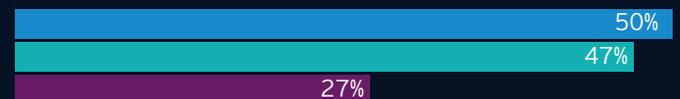
Seeking new and innovative products



Increasing campaigning activity



Pursuing new relationships with carriers



Increased sales training



Wearables and new technology present opportunities

Technology is viewed as an important factor in addressing the needs of a new generation of agents – and adding millennials to the salesforce will better cater to that market. As millennials continue to represent more customer market share, almost 40% of agents question their preparedness to meet the needs of the next generation.

More than half of commercial agents feel strongly about the role of wearable technology in the future of the industry, and 48% of personal P&C agents agree. Perhaps this is because of their experience with telematics, which most respondents cited as meaningful. Life agents do not seem as convinced of the role of wearables in their industry – a surprising finding given recent market activity and major product launches.

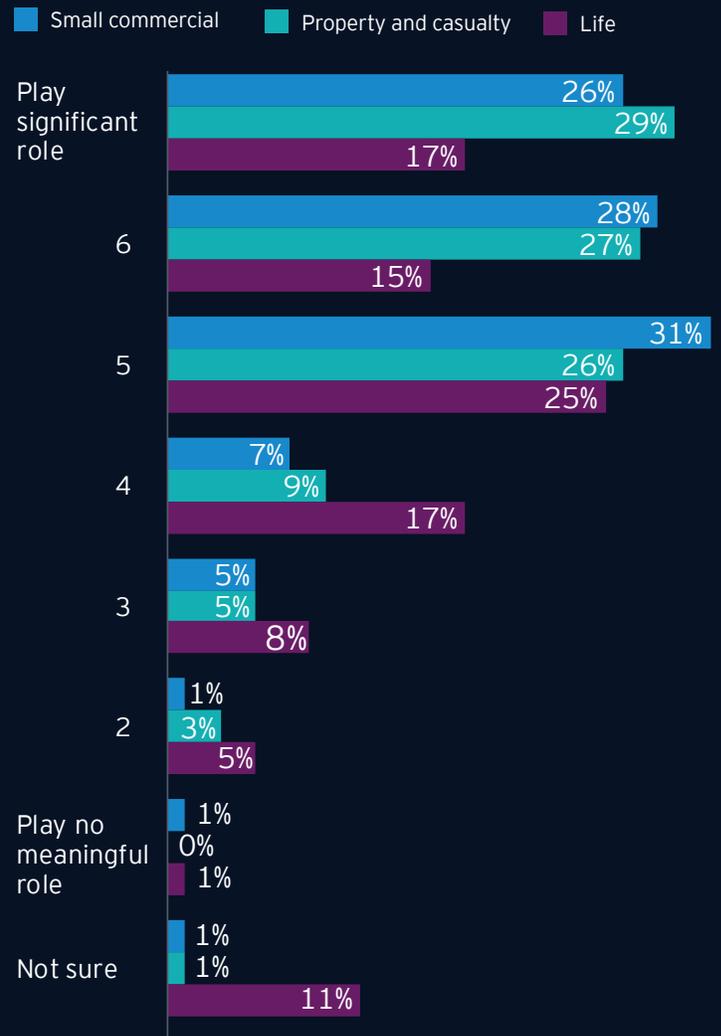
Asked how strongly they feel about UBI, more than half of P&C agents say that it will play an important role in the future of insurance (see *Figure 8*). One in three personal life agents express the same level of confidence in UBI's future role.

Implications for insurers

Alternative distribution models are motivating carriers to rethink their commitment to the agency system. As our survey shows, the future is tied to product innovation. Carriers can support the agent through new and customized offerings (wearables, connected home and telematics). The EY Pay-As-You-Live publications provide helpful supportive information. With growth from new products and increased cross-selling, new skill sets will be required for both agents and carriers.

Figure 8

Perceived role of usage-based insurance in the future of the industry



Case study

Product innovation and launch for global insurance carrier

Objective

- ▶ The insurance carrier wanted to launch a more engaging life and health customer experience, incorporating wearables.

Services

- ▶ Defined business model, including product economics, loyalty scheme and required partnerships
- ▶ Developed customer value proposition, product design and customer engagement architecture
- ▶ Assisted client with detailed product launch planning and technology integration

Value provided

- ▶ Helped client make a general experience concept come to life in specific design
- ▶ Provided detailed execution program to achieve successful product delivery

KEY THEME

4

Agents see close **collaboration** with carriers (such as more access to underwriters, less servicing by agents) as driving future growth.

Agents want to be more involved in the underwriting process. They agree that carriers could improve underwriting interaction by allowing more access to underwriters, enabling agents to work with the same underwriters and shifting underwriters' transactional role to one focused on relationships and customer solutions.

More than one-third of agents want to formalize or improve the process for appealing or reviewing underwriting decisions. Moreover, agents believe that carriers could improve customer communication by simplifying language, being more proactive and leveraging diverse channels to reach customers. Overall, frequency and number of communications is of less importance to agents. More than one in three in personal P&C or commercial insurance view this option as important to effective communication, compared with one in four in personal lines.

Figure 9
Agent willingness to give up part of servicing role to free up more time for sales and growth



Agents seek closer working relationships with carriers

The majority of agents are open to the idea of reducing their role in servicing to focus on sales and growth (see *Figure 9*). One in four personal life agents would prefer this option, about 20% of all agents express skepticism and 17% of commercial agents are satisfied with their current servicing role. Half of respondents would be willing to accept reduced commissions in exchange for shifting some of their servicing burden to carriers, though 36% are opposed to this idea.

Across all product types, nearly half of agents view increased customization as one of the main product changes to address the market's future needs; this is especially important for those in commercial and personal lines. In line with customization, 40% of agents view the ability to provide many available features to address a wide set of needs as key to meeting evolving market demand.

Improving the agent experience

Strengthening current customer relationships and achieving customer centricity in core operations have become strategic imperatives. As consumers embrace digital and other emerging technologies, insurers must rethink their distribution strategies, agency interactions and partner relationships.

Implications for insurers

Carriers and agents will work together to make the customer experience seamless, reliable and easily accessible. Our survey reveals that tension exists between agents' desire to have more direct contact with carriers and the need to streamline underwriting.

This calls for some form of digital interaction between agents and underwriters rather than wasting time on the telephone. If agents can focus less on servicing, they can focus more on selling. Recruiting, training and retaining agents are all essential to delivering more customer value.

34%

want better communications from carriers

Case study

Agent experience transformation for a leading personal lines insurance provider

Objective	Services	Value provided
<ul style="list-style-type: none"> Carrier wanted to define the next generation of its digital agent experience. 	<ul style="list-style-type: none"> Validated and enhanced existing user personas and future state user experiences to determine desired feature functionality Documented and identified ways to effectively measure agent sentiment and build an effective agent and user feedback loop to track user satisfaction Developed a capabilities matrix and vendor evaluation framework to support the review of available market solutions Defined a future-state technology architecture (with the desired integration and solution components) 	<ul style="list-style-type: none"> Enhanced personas and future state experiences: identified experience maps for vendor evaluation Agent satisfaction measures: identified existing agent experience metrics, gaps and customer key performance indicators; developed a scorecard Vendor evaluation framework: created evaluation criteria and synthesized client assessments Identified activities needed to transition to desired state across a timeline

Conclusion

EY can work together with carriers to help implement strategies that digitally support their agents, simplify distribution operations, deploy advanced analytics and leverage new distribution technology (see *Figure 10*). Listening to the “voice of the agent” can help carriers provide a deeper, more robust experience and reframe the agency system.

A collaborative process will allow carriers and agents to interact and strengthen their relationship. The benefits can include reduced operational complexity, lower costs, improved sales productivity and enhanced agent and policyholder experiences. Our survey supports the concept that insurers and the agent of the future will be stronger by working together.

Figure 10

Our survey identifies a number of carrier strategies that help improve distribution results



Contacts

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