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You've got this

Staying relevant in sales in the digital age

Seismic disruptions are rippling across the insurance industry. In first quarter 2019, over $1.4 billion was invested in InsurTech startup firms.[1] What began as price comparison websites, called aggregators, has quickly grown to 310 InsurTech firms in the U.S.[2] Experts are calling it a technology arms race.[3]

What do InsurTechs have in common? They have online raters and applications with no paperwork and little human interaction for consumers who want a more mobile experience. They are revolutionizing an industry that has not seen such digital enhancement in the past 100 years.

Companies like Root—the first entirely mobile app-based U.S. auto insurer—use mobile-phone technology to set rates based on driving behavior. Hippo will give a consumer a homeowners rate in 60 seconds using just his or her address. For people who want to insure their smartphone during a week-long vacation to Hawaii, they can try Trōv.

Sensing they've either got to join the party or be left behind, carriers like AIG, USAA, ACE, Transamerica, AXA, MassMutual, Alliance and others have begun investing in InsurTech.[4] The prevailing thought seems to be, adapt or become less relevant.

Where does this leave the Main Street insurance agent? Carriers and consumers are always looking for ways to save money. To them, the agent's commission may seem like an unnecessary expense. To many, it may seem like another maneuver to cut agents out of the equation.

The travel agent industry

In 2000, there were 124,000 travel agents in the U.S. Enter Travelocity, Orbitz, Expedia, TripAdvisor and other online travel services. The number of travel agents dropped to 81,000 by 2016—a figure the U.S. Bureau of Labor Statistics predicts will drop to 72,000 by 2026.[5]

The travel agents who have survived have done so by enhancing their services beyond purchasing airline tickets. You wouldn't book a safari to Africa or a tour of Italy through Orbitz. You need a travel agent's knowledge and expertise.

The lesson to be learned for insurance agents is obvious. If all you're doing is handing out rates—like the travel agent who only printed out airline tickets—you may not survive the next decade.

In this article, we speak with four subject-matter experts who are managing general underwriters within Aon Programs, who assist agents and brokers. Each provides suggestions on how professional insurance agents can provide value to their customers, stay relevant, and thrive in the digital age.

Differentiate yourself through value

The truth is, if we eliminate agents, consumers will face problems. Who will advise them on insurance products? Online works fine when buying a TV through Amazon, but not when you are making decisions that affect your financial security. At a time when competition is forcing policies to become more diverse and more complex, people need to speak to an insurance professional now more than ever.

"If a broker is simply using a comparative rater and laying out three prices in front of an insured, they're not providing value," said Steve Elliott, central region sales director at K&K Insurance, a managing general underwriter that specializes in the sports, leisure and entertainment industry.

"Carriers can do that themselves and they already are. If you're offering only a transaction, you will be obsolete, if you aren't already," continued Elliott.

"Whether you're selling personal or commercial products, you need to show a customer the value that you're offering. Brokers are good at separating themselves from carriers. Their organization becomes the value proposition. Within most of those organizations, the insurance contract is one small piece of what they are offering when they sit down and talk with the customer."

"Their value proposition includes various types of services," said Elliott. "Sometimes it's proprietary data and analytics or it may be risk management, loss control or an internal claims department. Those are benefits within their own organization that they're adding. They use them to differentiate themselves from what can be commoditized by a carrier."

Know your market and stay ahead of niches

One thing has not changed: Generally, consumers do not research terms like "bodily injury" or "aggregate limits." The average consumers may understand their own auto and homeowners coverage—but not products like cyberliability or directors & officers liability.

"There's little knowledge out there about insurance. When a person gets educated on how coverages work—what they need versus what they don't need—they're impressed," said Lauren Hansch, a business development professional with Aon Edge, a private flood insurance managing general underwriter. "They walk out of your office feeling like they've paid for something of value."

"For an insurance agent, that translates into knowing your market," said Hansch. "If you have clients who are Uber drivers, there are coverages available to them that didn't exist 10 years ago. There are coverages they can buy if they have an Airbnb. Educating your customers and letting them know you are knowledgeable about changes in the industry, is an easy way to keep them. This means constantly doing your research, finding out what new niche coverages are available," Hansch said.

Put the focus on coverage, not price

As we all know, the market is price driven. But, if you're just selling price, often you're missing out on a key selling opportunity, according to Jeff Tirado, assistant vice president at Ian H. Graham Insurance, a managing general underwriter that specializes in helping brokers write community association property/casualty business.

"Providing value is being able to explain why I'm $1,200 and my competitor is $900," said Tirado. "Yes, I might be $300 more a year, but the client is receiving seven additional coverages that can pay tens of thousands of dollars in claims."

"Don't focus on the pricing, but on the value of the coverage," said Tirado. "Your sales strategy has to be coverage. In the long game, price is not going to help you retain an account."

"Take ordinance and law coverage. On a homeowners policy, it's minor. But, when you're selling a commercial policy, it can mean tearing down a business because there are not enough handicapped parking spaces. Pointing out the value of that type of ancillary coverage can be huge."

"That's a difference between a great agent and mediocre agent," said Tirado. "If you're out-performing someone in your office by 40%, there's a reason for it. It's because you're a coverage adviser, and that builds your reputation. People trust you and start giving you their business."

Evaluate, advise on complex risks

Another key value independent agents have over carriers and InsurTech firms is the ability to evaluate the whole risk. Typically, InsurTechs offer a single product. They're not able to offer a one-stop shop, forcing consumers to deal with multiple points of contacts. In today's high-speed world, that's the height of inefficiency.

"It's no secret that there are a number of InsurTech firms out there, and carriers are developing InsurTech processes that can do what a lot of order-taking agents do today," said Dave Zeornes, a business development executive at Aon Edge. "Monoline insurance selling from an insurance agent perspective is on its way out the door. Managing a customer's entire risk is where the successful agents are going."

"Agents have this huge opportunity to advise on complex risks," added Zeornes. InsurTechs don't have the ability to dialogue with their clients. "Have you thought about this exposure? You might need this coverage. Or, you might need higher limits. Maybe they're not taking advantage of all available credits."

Consumers who rely on online raters without speaking to an agent can be at a disadvantage. To them, all homeowners policies may look alike. "Without speaking to an agent, do they really know what they're buying?" said Zeornes. "A good agent knows which questions to ask. He or she knows the coverage differences. The customer who's just looking at price is not always going to get the best fit."

"Independent agents have the ability to offer different options, coverages and rates," said Zeornes. That gives them an advantage over InsurTechs and carriers. "Combine that with multiple lines of business and agents have a better chance of long-term success—and retention."

Provide coverage comparisons

A great value agents can offer their customers is coverage comparisons.

"Recently I met with a broker who assembled three different carriers' terms and conditions in a vertical format, so the client could compare what each offered," said Elliott. "Then he used a color coding method, so the insured could participate in the process of prioritizing the things that were most important to him, the things that were neutral, and those things that didn't matter."

"The broker laid all this out before he even got to the pricing," said Elliott. "It was a matter of just adding up the green, red and yellow groups. That's value. That's understanding what you're buying, instead of understanding what you're spending. Big difference."

Customer access to online tools

A way that agents can add value over their competitors is by creating a web presence that offers relevant tools to their clients.

"At times agents can be a bit old school," said Hansch. "They have a website and they think that's going to be enough—and it's not. Organizations like PIA can help an agency jumpstart their social media and web presence. To thrive, that's going to be a big thing."

Added Tirado: "From issuing certificates of insurance to acquiring loss runs, MGUs can add value by automating some of their services. A property manager or mortgage company doesn't have to call in to get that information. They go to a website and pull it instantaneously. For condo-specific brokers, this functionality must exist for them to compete."

Products to cover emerging risks

Many agents and brokers don't realize it, but they have the power to drive new insurance offerings. You are the industry's boots on the ground. If a new risk is emerging, more than likely you're going to hear about it first.

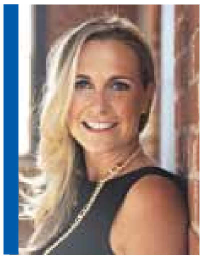
"Insurance is constantly evolving," said Tirado. "If you don't evolve, you lose business. Look at cyber four or five years ago for community associations. It didn't exist. The risks that will emerge two years from now, aren't currently referenced in policies. So policies evolve to address these issues and over time features may become included at no additional charge."

Recently, a New York agent examined his book of business and realized he had a lot of student accident policies. He also knew that there is a lot of crime on the college campuses in his area. He is now working with a carrier to create an inexpensive crime policy. Agents have this opportunity to take their industry-specific knowledge and use it to differentiate their business from the competition.

Keep the human touch

An advantage an agent has over carriers and InsurTech companies is the human touch. They deal in relationships. You've been to your clients' homes, their place of business. You know their families. You recognize their voice on the phone. You use the power of your relationship to advocate for them during a claim.

"You can't eliminate the dialogue that takes place between an agent and a consumer," said Tirado. "Without that interaction, you become just another commodity."



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[1] *WillisTowersWatson, 2019*

[2] *Statista, 2019*

[3] *WillisTowersWatson, 2019*

[4] *CB Insights, 2016*

[5] *Bureau of Labor Statistics, 2019*