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SIAA Virtual Conference Outlines Why Digital Agencies Outperform Their Peers

HAMPTON, N.H. — By focusing on simple, yet often overlooked key performance indicators (KPIs), agents can begin to undertake the various steps that will allow technology to help drive meaningful improvements, according to Brady Polansky, CPCU, vice president of agency relationships, EZLynx.

Polansky's presentation was part of the virtual conference SIAA (Strategic Insurance Agency Alliance) hosted on innovation and Insurtech. It was designed to help independent insurance agencies expand their digital capabilities. Polansky's presentation focused on what it means to be a digital agency, what steps are involved and why it matters.

Results Matter

It is important to have digital agency components to get quantifiable results. Polansky noted that most of the agents that EZLynx sees have an average retention rate of 74.3%. "Everyone you speak to says their retention rate is 95%. That just means they don't know, and they pick a number that they think is reasonable." Polansky is referring to actual policies in force (PIF) retention.

The agencies that embrace some digital components, such as predictive analytics or a pipeline management tool, begin to outperform their peers — 85.1% with proactive retention and 88.4% with a pipeline management tool. The key is that the results are measurable. Look at PIF retention today and then after a program is implemented, three, six and nine months later to see if they are headed in the right direction. If they are moving in the right direction, then they have a positive return on their investment; if they are not, then they will need to make changes.

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> *— Brady Polansky, EZLynx*

Another area to review is policies per customer. Some large direct writers are selling between three and five insurance policies per customer, while independent insurance agents sell an average of 1.6 policies per customer. That points to a tremendous amount of opportunity within agents' own books to sell additional lines of business. Agencies that are proactive in retention have an average of 1.8 policies per customer, according to Polansky. Those that are using proactive marketing campaigns are even further improving their policies per customer (1.85). Agents who speed up the process of having a conversation about new business, whether it is commercial lines or personal lines prefills, are doing even better at 2.18 policies per customer.

"The more policies an insured has, the longer the retention will be. If you can get them up to four or five policies, they are never going to leave because it's just too hard," said Polansky.

What Do Digital Agencies Do?

Digital agencies learn how to embrace the customer journey. Some consumers want to go online to do everything themselves, removing the agent from the process by working with direct writers.

"That's fine for their business models, but these insureds will leave for a dollar and move to the next one. A lot of them don't understand the value proposition an agent can bring to them during the process," said Polansky.

The second type of customer wants to work with a traditional insurance agency where the agent does everything for the insured. It is white-glove service.

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Adding $1M in New Sales

Do the math for what you need to do to add $1 million in new sales. Take the sales goal ($1 million) and divide it by your average account size to get the number of sales that you need to make.

Divide the number of sales you need by your close ratio. That's the number of opportunities you need to have in the pipeline to achieve your goal.

To grow $1 million with a $5,323 average commercial premium and a 20% close ratio, you need to have 188 new sales, which means having 939 new opportunities in the pipeline. That equals roughly four new opportunities per day to hit the goal.

The third type of customer wants something in between. These are the customers Polanksy thinks independent agents should focus in on. "How do I give them white-glove service when they need it? How do I give them tools to access it themselves when they want it? It is really all about what they want and when they want it."

Integrate as Much Technology as Possible

There are several must-have technologies necessary for becoming a digital agency. First and foremost is an agency website. It all starts with the website because 75% of consumers or small-business owners looking for insurance start online. "If they can't find you online or if you're not above the fold in the search engines, then you don't exist. You want to be in the forefront to be seen as a legitimate option," said Polansky.

Online Prospecting: Studies show that when consumers are on an agency website beginning the lead process — providing their name and contact information — the close ratio from the moment they start the process can be measured in minutes. Each minute that goes by, the likelihood of closing the sale decreases. If you get to 60 minutes without contacting that customer, the odds are slim to none. "If you're not willing to answer the phone after hours, on weekends, at night, then you might as well not even get into having online prospecting because you have to get back to consumers quickly," said Polansky.

Sales Funnel: It is important to know what stages of the sales process you are in — whether you are in the interview process with some customers, working on pricing for others or waiting for decisions from other customers. When low on prospects, agents need to be able to click a button that will prefill information from their systems — maybe there is someone in the system that you didn't write a policy for two years ago or someone five years ago that left or a home and auto customer that could benefit from an umbrella policy.

Comparative Quoting: Make sure you are getting from carriers competitive rates that call for answering the least amount of questions possible but still preserve the quality and accuracy of the quotes. "Use the technology to understand how your carriers are performing within the markets that you have — who is the least expensive, who is the best, who quotes too low — so when the sales representative comes into your office to find out why you aren't quoting with them, you have real numbers to say, 'Because you're no longer one of the valid options for our marketplace,'" said Polansky.

Client Portal: It is essential for consumers to have the ability to get information from you whether it relates to a quote or to the exchange of documentation. The most common action insureds take inside portals is to issue certificates of insurance and print auto insurance identification cards. The majority of these transactions take place during normal business hours, so they are calls staff no longer has to take to service these customers.

To take it to the next step, consider a commercial policy renewal. In a typical renewal process, the agent generates schedules and shares them with the customer to be updated and shared back before being entered into the system.

A digital agency will be able to do that with two clicks, according to Polansky. The first click is to extract the schedules, drop them into the client's portal and send an automatic email notifying the insured. The consumer downloads the schedules, makes changes, uploads them, the system notifies the agent that they are available, and the agent clicks a button that brings them into the new application set with the renewal term, then they go to the carrier to get the quotes.

eCommunications: Consumers want to be communicated with in the method of their choosing. Embrace things like integrated text messaging and campaign emails (whether they are drip or one to many). Electronic signatures are important as well.

Proactive Retention: Suppose an upset customer calls wondering why his policy premium went up. To figure it out, an agent may spend 35 minutes pulling up the policy and trying to determine why it went up. The agent may then send it out for comparative quotes, syncing the policy on one screen and having client information and exposure information on another, copying and pasting between them. Then you start playing phone tag with the customer. Polansky said digital tools should be able to tell you the same information in three or four minutes.

"It should tell you if their credit score changed or if they had an accident, got a speeding ticket, added a car, lost their paid in full discount, etc. If your system isn't telling you those things are going on, you probably have the wrong kind of system if you want to be a digital agency. The key is to be proactive to improve customer satisfaction and to put more money directly down into the bottom line."

Reporting and Analytics: Make sure that all of these items are integrated. Some agents think that a nonintegrated product is better for them overall, but then they do not have a way to take analytical data and marry it to other data in their agency. So, they end up spending more time on it.

In a perfect digital agency, you are going to do all of these steps and then add automation, explained Polansky.

"You should be able to take all kinds of triggers inside of your system and create pieces for workflow."

For example, create a 10-step checklist for staff to use for new customer onboarding — make sure they are on a birthday campaign, send them a gift card or ask for referrals, etc. Now management will know where staff are in the process, who has done what and when.

"Unless or until you do all of these things, you're really not much of a digital agency. You may have a lot of cool components, but until they're integrated together, you're probably wasting a lot of cycles on guessing whether or not they're working," said Polansky.

Understand What Drives KPIs

If Polansky only had four pieces of data to look at, he said he would focus on the following: retention rates, close ratios, policies per customer and account size distribution.

Retention Rates: Look at actual policy in force retention. You have to replace a lost policy with a new policy and get more policies to grow. Or you need more policies paying more money.

Close Ratios: How do I know how I'm doing from a selling standpoint? Your system should be able to overlay producer activity with producer results. If you don't have simplistic data like this appearing every week or month, you are hindered in your ability to run your agency.

Policies Per Customer: The more policies per customer, the better. If there are too many monoline customers on the books, it is difficult to make money. Your system needs to be telling you this natively.

Account Size Distribution: You either need to sell more policies or more to each individual customers to grow business. If there are too many customers paying less than $1,000 in premium, they are likely monoline customers.

"I would argue that you're better off without these policies, so either cross-sell them to death and get them to grow or get them to go. You can't make any money on this," said Polansky.

"If you do all of this, you're going to have great success in what it is that you're doing as a digital agency." ■