

This issue of Resources magazine takes a look at our industry through the lens of one of the The National Alliance's guiding principles—**Imagination**. Imagine with us for a moment: What does the future look like for successful insurance agencies? In short, the future will not be like the past, and success depends on imaginative responses to a changing business environment. What sorts of things should you be “imagining” at your agency? We asked two highly successful and experienced industry practitioners who focus in different areas of the business for their takes on the subject. In the two articles that follow, **Tom Barrett, CIC, AAI**, and **Laura Sherman, CPRM, CAPI**, reveal their perspectives—which are shared in some respects while differing in others—about the ways agencies need to adapt to stay relevant and successful in our evolving marketplace.

Imagining the Agency of the Future

(immediate) 



As of mid-year 2019, mergers and acquisitions continue to occur at record pace. The larger agencies are getting larger, the captive agency world is becoming obsolete, and local independent agencies are under increased pressure to respond to a wide variety of economic, social, and technological upheavals, many of which will become the new “realities” of tomorrow. As we look at the future, there are a number of changes that must be faced for an agency to remain competitive and successful.

A word of warning is in order here—some of you are not going to like my observations. But as I see it, our industry is going through the most significant metamorphosis that I have seen in my forty-year career in the industry. There are “yea-sayers” and “naysayers.” There are those who scream, “it will never happen,” and those who believe that it will; agencies that embrace opportunity, and those that never see the train that is coming down the track. Let’s pretend that I’m the engineer on that train. The caboose has a little different view. Here’s what I see as I look at the world in front of me.

Brick and mortar are becoming obsolete.

With technology there is now little reason for the expense of a brick and mortar store. Technology allows us to be as local as “in your pocket”

through mobile apps and smart devices. The agency of the future will have a strong digital presence with reduced overhead on a physical plant. Let’s face it—convenience is a factor when it comes to the behavior of human beings. In large cities, nobody wants to drive across town to sit down with you—or any other agent—when they can accomplish the same thing from wherever they happen to be.

We’re no longer a service industry. Some reports show that up to 73% of consumers prefer self-servicing capabilities to access certificates or auto ID cards.

For many other agency functions, the ability to interact with the digital world relieves clients from going to a physical office and waiting in line for service. As the consumer continues to evolve and technology becomes more available and mainstream, agencies will see a continued reduction in their service

role. The agency of the future will be sales-minded and focused, looking toward maximizing revenues through the sale of multiple products per client with targeted revenues per account. More and more, servicing will be done online and by service centers.

Technology will continue to change our world.

With AI (artificial intelligence), improved devices, analytics, new platforms, and the Internet of Things,

For 100 years, the independent agency distribution channel has been secure. Today’s consumer behavior has changed that...

we will witness the unrelenting expansion of technologies and automation—not only in the commoditized personal lines world but also in areas such as small commercial. The idea of having data magically fill in an application on your smart device while analytics created by algorithms produce an instantaneous rate within nanoseconds is real, here, and available today. The need for home offices and underwriters to review smaller and less sophisticated accounts is becoming a thing of the past. Surely everyone has seen the predictions suggesting that up to 45% of personal lines revenue will evaporate during the next twenty years? The agency of the future *must* be focused on other lines of coverage and cross-selling.

The sharing economy will eat into your revenues.

The new economy where millennials share residences, offices, scooters, bicycles, automobiles, and an ever-increasing list of other things is a reality that won't go away. User

Learn More, Earn More

To learn more about effective Agency Management techniques, look to the **CISR Agency Operations** or **CIC Agency Management** course—both are offered online as well as in a variety of classroom locations across the nation. And, because Tom points out in his article that a strong sales focus will be key to the survival of agencies, you may want to consider taking a **Dynamics of Selling** course. Tom is instructing Dynamics of Selling on Sept. 10-12 in Medina, OH, Sept. 30-Oct. 1 in Buffalo, NY, and Nov. 5-7 in Spartanburg, SC. For a complete schedule, visit scic.com.

access based on demand will continue to rise, as will the number of insurance companies that are willing to write insurance based on pay-per-mile, or other per-use calculations. For example, car leases and rental agreements will come complete with pay-for-use insurance products.

Little by little, these trends will begin to eat into your agency revenues. The agency of the future will maintain a strong digital presence and will brand themselves through their electronic relationships. Our technology will no longer be viewed as an expense, but as an investment in a future that focuses on new business, new relationships, and new revenues.

Traditional insurance channels will need to reposition.

For 100 years, the independent agency distribution channel has been secure. Today's consumer behavior has changed that. Exclusive agency channels are being abandoned, carriers are looking for multiple channel sales, and the independent agency must be positioned as a source of new clients and growing market share to maintain their presence. This blurring will continue to create opportunities for those agencies focused on selling and growing. The days of creating a book of business and then sitting on it for a lifetime are quickly coming to an end.

Expense pressure on insurers and distributors.

The greatest asset of insurance agencies is our clients, and everyone is fighting for their share. The cost of

doing business is increasing. Agency commissions are under pressure due to carriers looking at other distribution options that will reduce costs. Smaller agencies are struggling to maintain their clout with carriers that are increasingly disinterested in small books of business. The bottom line appears to be this—agencies that embrace a new focus on selling, growing, or becoming a part of something bigger may see their revenue percentages increase while smaller, non-performing agencies can expect carriers to reduce their incomes.

Insurtech will have a major impact.

Just look around at the millions of dollars being thrown at insurtech (insurance technology) and start-up companies that hope to make the buying experience friendlier and more efficient. Through these technologies, insurance product access

will become a 24/7/365 standard. Traditional office hours and people sitting behind desks waiting on the phone to ring are over—maybe not tomorrow, but very soon. Agency personnel will need to become accustomed to change and embrace new ways of conducting business.

Converging Trends

There you have it—that's where I see the industry going in the next twenty years or so. But every day between now and then, things will continue to change, and often at a pace that is unimaginable today. At some point, these trends will converge into something that will change the face of our industry forevermore. So what does

The days of creating a book of business and then sitting on it for a lifetime are quickly coming to an end.



The State Winners and National Finalists of the **2019 Outstanding CSR of the Year Award** have been announced! Visit scic.com/ocsry-2019 to find out who won in your state.

The National Winner will be selected soon. Read the winner's and finalists' essays in your next issue of *Resources* magazine.

that mean for agents? Let's look down the track again because there are also some trends that show what steps agencies can take today to ensure a successful tomorrow.

The Future.

In the highly regulated insurance industry, the one thing that every carrier and every new technology company struggles with is distribution. That's where the agency of the future comes in. At this point, it is worth reviewing some of the points I made earlier. The agency of the future will:

- have a strong digital presence with reduced overhead on a physical plant
- be a sales-minded and focused agency that looks toward maximizing revenues through the sale of multiple products per client with targeted revenues per account
- be focused on other lines of coverage and cross-selling
- maintain a strong digital presence and brand themselves through their electronic relationships
- be positioned as a source of new clients and growing market share to maintain a significant presence
- employ agency personnel who can adapt to change and embrace new ways of conducting business

From my perspective, for the agencies that are paying attention and repositioning their agencies digitally, creating electronic relationships with their prospects and clients, and maximizing every dollar of revenue from those relationships, the future has never been brighter. Remember, the agent sitting in the caboose may have the perfect seat for looking backwards. But that is not where the train is going.

The decision to shift viewpoints is yours, and the time to do it is now! Good luck and good selling! ■

About the Author: Tom Barrett, CIC, AAI

Tom brings forty years of experience to SIAA and The National Alliance with expertise in a variety of areas.



He has worked as agent and broker, program developer and manager, public speaker, and seminar leader. He is also one of the leading National Faculty for the Dynamics of Selling program. His sales training client list includes over a dozen regional and mutual insurance carriers and twenty-five of the nation's top 100 insurance brokers.



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As we insurance agency professionals make plans for the future, the saying “what got us here won’t get us there” comes to mind. We can no longer rely solely on time-tested policies and procedures, technology, and familiar personnel strategies to take us into the next decade. As insurance advisors, we all need to begin laying the foundation for the future today so we can remain relevant to our clients and other stakeholders.

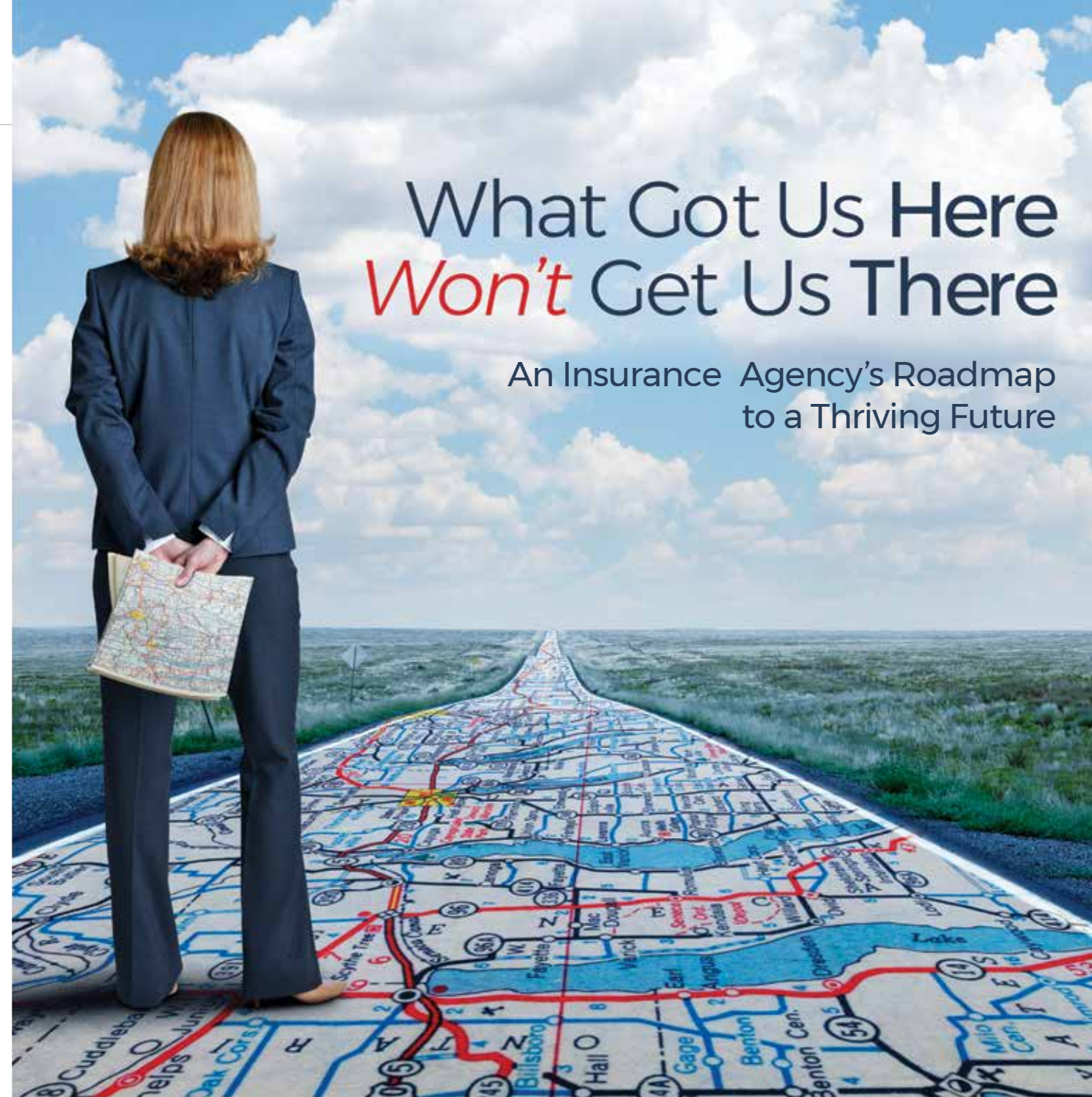
In other words, we need to start working *on* the business rather than just working *in* the business. As we plan our time and resources in this endeavor, where do we need to be investing? Here are the top three things we should be working on weekly.

1. Build the Pipeline: Technology, Talent, and Products

To be ahead of the game, we need to use our imagination—to be in the vanguard of technology, talent, and products. Many insurance agents rely on insurers to drive innovation, but as the lines between insurers and insurance agencies blur, we as agents must take the reins before new non-insurance tech firms swoop in and disrupt the model. We all know what Uber did to the taxi industry, and how Netflix became the Blockbuster-buster.

Technology

The need for significant and discerning investment in the right technology cannot be overemphasized. Massive cyber security breaches have grabbed national headlines in recent years, and the frequency and severity of cyber-attacks are getting more intense by the day. As guardians of our clients’ confidential information, we must understand the data exposure threat, fortify our defenses, and adapt as attacks become more insidious.



What Got Us Here Won't Get Us There

An Insurance Agency's Roadmap to a Thriving Future

Technological advancement also presents enormous opportunity for our industry. In the era of Big Data, client information can be amassed and leveraged to anticipate a client’s needs. More than ever, partnering with the right data scientists, technology, and IT firms has become mission critical. The right partnerships will allow us to have the best of both worlds: a personal, local client presence empowered and protected by a robust digital platform.

Investing in technology can help augment the client journey and increase internal efficiencies and productivity.

Talent Shortage

According to Gartner’s *Emerging Risks Survey*,¹ staff shortage has become among the top emerging risks organizations face globally. In April 2019, the U.S. unemployment rate was 3.6 percent—the lowest jobless rate since December 1969. Unfortunately for the insurance industry, vying for the attention of this relatively

limited talent pool is a challenge as our industry battles a perception as a less-than-trustworthy sector of the economy. It is vital that we as an industry modernize and articulate our value proposition to potential candidates.

And we need to start now. We must begin to recruit new talent into our industry to build the next generation of industry professionals and leaders, keeping in mind that it takes two to three years to fully

train an account manager or sales professional.

Start with creating a meaningful purpose or mission statement for your organization to attract new talent to your firm. Find a charity or two and make philanthropy part of your value proposition. Purpose-driven organizations with a commitment to their communities outperform other organizations two to one. Interestingly, next-gen talent wants to align with firms who have a strong purpose and commitment to their communities.

Your purpose statement doesn’t have to be fancy or complex. Think about what you do and how you help your clients focus their passions to achieve their dreams. Begin to share your firm’s purpose with the community, your clients, and your team.

Products

Clients crave options that offer tailor-made solutions for their individual risk exposures. Data and technology are helping drive the confluence of proprietary product creation with traditional and non-traditional capital sources, but currently, the potential remains untapped.

According to the *World Insurance Report* from Capgemini,² insurers’ product pipelines are not aligned with clients’ growing concerns over emerging risks. From evolving social and demographic trends to rapidly changing cyber advancements, disruptive environmental patterns to new medical and health concerns

for the family and pets—traditional insurance companies and agencies are not nimble enough to respond quickly to new and ever-changing risks.

Think about how slowly we responded to the shared economy, the Internet of Things, and even the emergence of a new hobby—consumer drone piloting. The Parrott AR Drone, a smart-phone-controlled quadcopter for consumers, was introduced at the Consumer Electronics Show in Las Vegas in 2010. Almost a decade has passed, and as an industry, we

still haven’t fully realized the vulnerability of claim costs for drones as it relates to violation of privacy, liability claims, property damage, cyber attacks, and even war.

2. Become a True Advisor

All the industry reports and experts agree: we must become true advisors to our clients if we wish to be in business in the future. Clients can now circumvent our industry’s historical business model and simply go to the web to comparison shop and buy the cheapest coverage. We must develop ways to both be and be perceived as subject matter experts, as partners, and even as the quarterback who executes all our clients’ insurance needs.

If we can’t help them secure the coverage they need, we better have a relationship with someone who can. Creating and nurturing meaningful relationships with risk management

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vendors (alarm companies, actuaries, etc.) and other insurance professionals, will expand our ability to provide solutions and bring value to the client relationship. Seeking certification and insurance and risk management education to keep your knowledge and skills updated shows your clients that you are on top of emerging issues that may affect them.

In short, we must be the one our clients think of when they buy a new house, need medical coverage for their employees, or qualify for Medicare. The relationship, rapport, and trust you engender as a true advisor for your clients will endure as our industry evolves.

Risk Prevention

As the risk landscape changes and we continue to experience severe weather events, the industry needs to educate clients on loss mitigation techniques and risk prevention services. Historically, these services were reserved for businesses and large complex personal estates. Today, everyday consumers want to protect their homes from anything from water damage to wildfires,

understand emerging risks, and collaborate to get more personalized guidance and counsel.

The 2019 *World Insurance Report*³ found 45% of the average business customers are willing to share additional data for risk control and prevention services, and 36% are willing to pay for it. Cyber risk is on the minds of many commercial clients. Are you offering a cyber risk policy to every single commercial client? What are you

doing to help your clients prevent losses from occurring? Partner with your insurance companies and local vendors to become the go-to advisor for your clients and community.

3. Enhance the Experience

Our clients are our best potential source of client referrals. Who better to advertise your value propositions or articulate why someone should work with you than your clients? What are you doing today to cultivate the fertile ground of client referrals?

Bain Consulting conducted a study⁴ which revealed 80% of companies claimed to deliver a superior customer experience, yet a staggering 8% of their customers agreed with that assessment! Clearly, there is a disconnect. And, with client attitudes, behavior, and demands con-

tinuing to evolve, our ability to meet and exceed their expectations needs to keep pace. A 2014 Ernst & Young

*Global Insurance Survey*⁵ found that 57% of consumers want to hear from their agents at least semi-annually, and only 14% are very satisfied with their current outbound communications.

Clients today demand a frictionless experience. No longer can we remain reactionary and think our retention numbers will stay the same. Clients are

not comparing us to the insurance agency down the street, but rather to the exceptional client experience they enjoy with other vendors—whether it is a credit card company, online retailer, or pizza parlor. Clients may have found these vendors immediately responsive to them, recognizing them when they call, automatically pulling up their last order, and seamlessly completing a transaction because their credit card is on file. Think about it. Once you receive an order from Amazon.com overnight, are you content to wait two weeks for a similar product from a competing company?

Our clients also crave a multi-channel experience. They want 24/7 availability online, and we need to adapt. Whether it is online access, text, or telephone via extended

Clients today demand a frictionless experience. No longer can we remain reactionary...

Learn More, Earn More

The **Certified Personal Risk Manager (CPRM)** program provides practical and relevant information for insurance professionals working with affluent and high net worth clients—and it's a great option for broadening your horizons while fulfilling your annual designation update requirement. Begin with the **CPRM Personal Client Risk Management** course to learn the value and importance of incorporating risk management into the insurance plan for clients with unique and complex exposures.

¹Gartner, Emerging Risks Survey, January 2019, <https://www.gartner.com/en/newsroom/press-releases/2019-01-17-gartner-survey-shows-global-talent-shortage-is-now-the-top-emerging-risk-facing-organizations>.

²Capgemini, World Insurance Report, May 2019, <https://www.capgemini.com/news/world-insurance-report-2019/>.

³Ibid.

⁴Bain Consulting, October 2018, <https://www.bain.com/insights/customers-know-what-they-want-are-insurers-listening/>.

⁵Ernst & Young Global Insurance Survey, 2014, [https://www.ey.com/Publication/vwLUAssets/ey-2014-global-customer-insurance-survey-america/\\$FILE/ey-global-customer-insurance-survey-america.pdf](https://www.ey.com/Publication/vwLUAssets/ey-2014-global-customer-insurance-survey-america/$FILE/ey-global-customer-insurance-survey-america.pdf).

DIFFERENCE MAKERS

Showcasing professionals who tackle loss during a crisis, advocate for education, and make a difference for the greater good.

Meet our most recent Difference Maker—**Debra Richardson, MBA, CIC, CRM, CPCU, AINS**, Director of the RMI Program at The University of Texas at Dallas. Take a journey with us to learn how education played a central role in helping Debra break through industry stereotypes to excel in her career, earn multiple designations, and serve as an inspired role model.

Go to scic.com/difference-makers (or simply scan this QR code by pointing your smart phone camera at it) to read about Debra and *all* of our featured Difference Makers.



hours, we need to begin preparing now for the next wave of service changes.

But as an industry, we have historically been plodding in our processes and glacial in our response to change. As we all know, the number one reason clients leave advisors is due to lack of communication. In this ever-changing insurance landscape, severe weather is more common, rates continue to increase, and technology to prevent losses is pervasive. Personal and frequent connection with our clients and cultivation of our role as a counselor also needs to be more common.

Get Started

Schedule time. First, schedule time each week to work on the business rather than just in the business. This goes for all of us, whether we are a relationship manager, sales professional or agency owner. We should all

be working together to move our firms and our industry forward.

Develop a road map. Use your imagination to create a client journey in which you put yourselves in your clients' shoes. Outline the path and steps you think your client should take, the potential pitfalls, and how you want your client to feel. Do you communicate the appropriate information, expectations, and timing to your clients?

Prioritize your game plan. Putting pen to paper helps you realize where you are today, your strengths in these areas, and where you can improve.

Collaborate. Find other industry professionals who are in a similar position as you to leverage resources and share ideas. Use outside service firms to provide 24/7 responsiveness, multiple communication channels for coverage, and customized customer solutions for inspiration.

Invest in your firm's future by taking time to create a new roadmap toward a thriving future—because the one that got us here, won't get us there. ■

About the Author: Laura Sherman, CPRM, CAPI

Laura is the Founding Partner of Baldwin Krystyn Sherman Partners & Baldwin Risk Partners. She specializes in providing risk management solutions for the affluent and for the collections of private collectors and museums. Laura was a valued member on the Advisory Committee that helped create the curricula for The National Alliance's CPRM designation, and she is a member of The National Alliance Faculty.

