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SPECIAL FOCUS ON EMERGING RISKS PAGE 8

Always On: A Look at Emerging Trends and Ongoing Threats Facing Independent Agents

By: James Keane

Market fluctuations, economic turbulence and ongoing natural catastrophes are just a few issues impacting decision-making for independent agents every day. A good independent agent understands emerging and ongoing trends and knows how to move quickly and strategically to not only navigate challenges, but also to find opportunities to grow their book of business.

So, what are some emerging trends and ongoing threats facing agents as we close out 2023, and how can agents best position themselves for success? Here, we look at five issues currently before independent agents and how agents might navigate them to find their way to new opportunity.

An Unwavering Hard Market

When the hard market first fully emerged in 2021, many insurance agents were convinced it would recover somewhat quickly. Today, agency owners are not only navigating higher rates and stricter underwriting, rising interest rates and inflation are taking their toll as well. The market has become more competitive as customers seek out low-

er rates, forcing agents to demonstrate their value.

Now, nearly three years into the hard market, savvy independent agents have found ways to evolve their businesses, whether they explored new lines of service, completed a merger or acquisition or made small changes to prioritize client retention or another aspect of their agencies. In a hard market like this, agency owners looking toward the future are keeping a critical eye on agency operations, examining how their clients perceive their agencies through interactions, and reassessing how they capture new business, as well as nurturing existing relationships.

The Ongoing Talent Crisis

While the industry has known for more than a decade that a talent crisis was looming, staffing has really become an issue in recent years as many baby boomers have retired and the labor market tightened. As a result, independent agents have had to get creative with their recruiting efforts and agency operations.

Four years ago, agents were recruit-

ing almost exclusively at the local level. Since remote work has become a reality, agents now have the luxury of searching the country for the best candidate. While this has broadened the talent pool, good employees can still be difficult to find in a challenging job market.

Technology has also assisted agencies as they've reassessed their workforce structures in recent years. Technology has altered both how agents run their business and how clients interact with their agent. Insureds now look for ways to interact with agents on their own schedules. In response, agents are more often exploring the use of service centers or online chat capabilities to allow clients autonomy over how they interact with an agency.

A New Tech Landscape

Technology can be both complicated and rewarding. Just look at how online quoting systems or automated claims systems have dramatically improved the client experience by streamlining processes. At the same time, technology can be overwhelming, where failing to adapt could result in an agency falling behind,

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losing clients and revenue.

Artificial intelligence (AI) is the next big game changer on the horizon for agents. While its accuracy limitations prevent it from working to its full potential, agents can still benefit from tools like ChatGPT that can craft first drafts of introductory emails and other communications. AI can even help underwrite risk and parse through related data. As this technology becomes more advanced, agents would do well to have at least a preliminary understanding of how to use it for their benefit.

Ever-Increasing Cyber Threats

While technology can be extraordinarily helpful offering service and agency management solutions, it also presents an additional cyber risk component to independent agencies. To keep their businesses safe, agents should stay up on cyber safety trends just as they encourage their policyholders to do the same.

Agents should provide cyber training for employees to ensure they know how to identify and report phishing scams, avoid dangerous links and utilize additional measures such as multifactor authentication. If an agency utilizes a work-from-home structure, off-site employees should know to use a private internet setup in addition to abiding

by an agency's email security and cyber safety recommendations. As the work-from-anywhere world continues to evolve, independent agents should be prepared with on-site and off-site employee cyber protocols that are proven effective.

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— James Keane, SIAA

Hefty Claims Payouts Related to Natural Disasters

In 2022, 45% of the \$275 billion dollars in losses from natural disasters were insured losses, totaling \$125 billion dollars as reported by SwissRe. As a result of these increased weather losses, in addition to increased costs due to the above-mentioned economic concerns, independent agents will continue to struggle to write policies in weather-prone areas. On top of traditional high-risk areas such as Florida or California, other parts of the U.S. that have experienced increases in wind, tornados and flash flooding will feel the tightened capacity and increased costs as well.

Of course, independent agents can-

not control the weather. What they can do is work to strengthen relationships with their clients and prospects before weather-related events happen. Agents should be able to explain why costs are increasing, how insureds can prioritize risk mitigation and leave an open line of communication to offer peace of mind and reinforce trust with policyholders.

Moving Forward

With the current economic uncertainty, the insurance market outlook remains cautious. As such, insurance companies may be more restrained in offering coverage and rates as they did in years past. This will require agents to evolve their approach, including making new tech and staffing changes to better serve their goals. Insurance is influenced by more factors than agents can control, but if they understand the threats that await, they'll be better prepared to navigate those threats when and if they come knocking. ■

James Keane is the vice president of national sales for SIAA. In his role, he serves as the liaison between SIAA and its Strategic Master Agencies' (SMAs) leadership, helping the SMAs maximize recruiting efforts, organic growth programs, agency development and member engagement. He can be reached at james.keane@siaa.com.

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