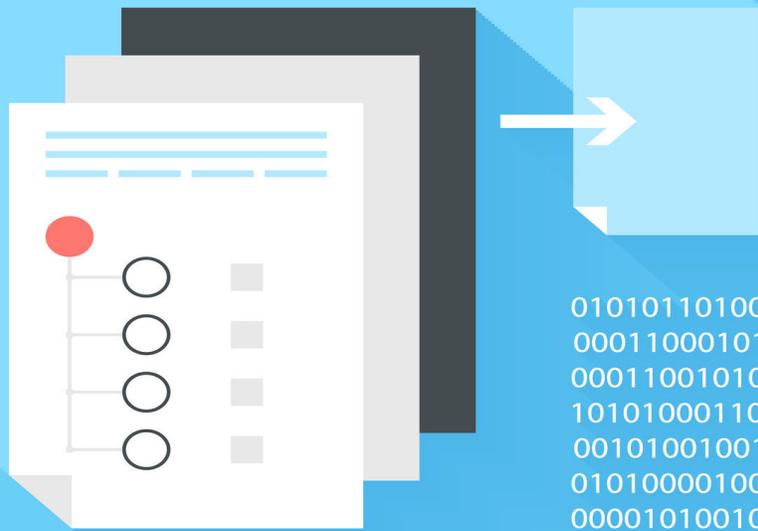


# INSURANCE

# Digital Transformation Study

AUGUST 2016



A survey conducted by the insurance industry to understand agents' use of technology today and how they need to transform to best serve their customers.



# Insurance in a Digital World

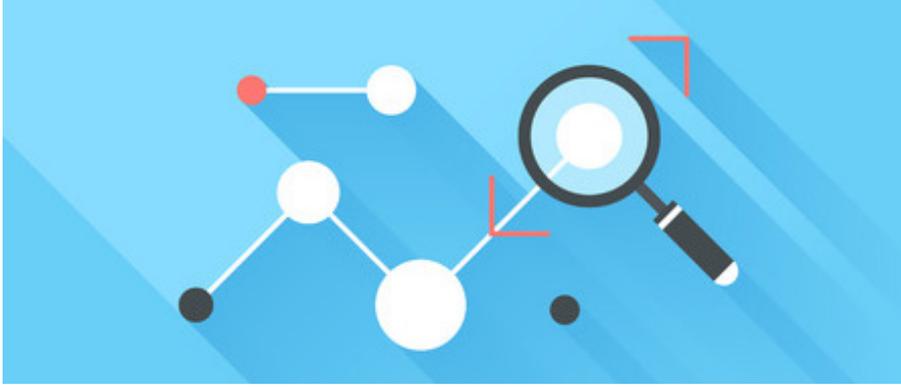
The digital economy is here, and no industry will be left out. The property-casualty insurance is complex — both in terms of the products themselves and the ways they are sold. And while this complexity creates natural barriers to change, customers expect to be able to buy insurance, file claims, and make changes with the click of a button, just like they can do with their banking and buying other goods and services. Within the industry, there has been progress. In fact, there are pockets of excellence, agents that are making the most of digital technologies today. But, as a whole, the insurance industry still has a long way to go, the survey reveals.



The media is filled with stories about disruption and business model threats. Many of the disruptors are powered by new technology. For an agent, all the information about change can be overwhelming when it comes to where to start and what to do. And not only is it confusing, and time consuming, but it can be expensive. But rather than focus on fear and uncertainty, what if we consider the real opportunity that digital technology brings to the insurance industry? For agents, in particular, advances in technology offer new ways to reinforce the strong relationships they have built with their customers, while at the same time driving workflow efficiencies that will make them more profitable.

**For insurance agents,  
who are often the *last*  
*mile* to the insured,  
the imperative to  
embrace digital  
technologies is real.**

**The Insurance Digital Transformation Survey — in which more than 4,000 agents participated — shows that there are significant, and immediate, opportunities for agents to embrace technology to make a difference in their businesses.**



**The analysis is organized into three areas:**

## Ready for Insurance Anywhere, Anytime

Amazon, Uber and others have created expectations among consumers that they can order anything, anytime online, and receive nearly instant gratification. Why should insurance be any different? But for agents, including many small- and mid-sized businesses without access to large call centers and big technology budgets, this can be a high bar. New technology and solutions provide more opportunities than ever before for agents to operate in this always on market. Agents are taking note — 43% of agents surveyed currently operate 24 X 7 today. In addition, 23% have client portals in place, and 21% have developed mobile apps. Although the industry has a long way to go, this shift to digital is promising, with some agents surveyed clearly embracing new ways to serve customers online.

## Finding, Winning & Keeping Customers

Ultimately, insurance agents are in the service business, providing value to their clients, and creating long-term relationships. The digital economy puts new pressures on agents to rethink how these relationships are formed and serviced using technology to source leads, and interface with prospects and clients online. Customers expect the latest and greatest, and they want it to be smooth, simple and fast. And, as we know, even if customers aren't asking for new technologies, that doesn't mean they don't want them. There are real opportunities for agents to implement digital technologies to not only grow their businesses, but to engage with existing customers.

## The Agility Factor — Automation is Key

To compete effectively against new players and disintermediation, agents must be agile – anticipating changes, and able to adjust processes, business models and technology to win. Eliminating manual processes wherever possible, and embracing automation is key. This is particularly challenging given the complex nature of the business between agents and carriers. Many agents have long-established manual workarounds to address the fact they work with multiple carriers with different requirements and processes. The survey highlights the many opportunities for agents to continue to be vocal in communicating with their carriers and vendors, and diligent about working to stamp out manual processes wherever possible.

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Agents don't need to be convinced of the importance of having a digital strategy — 70% say they have a proactive strategy to implement new technology to improve their businesses. The challenge is what specific steps they should take to become digital.

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## Ready for Insurance Anywhere, Anytime

The insurance industry has a long way to go when it comes to **always on** service.

Today's consumers, conditioned by an environment in which you can get anything, anywhere, anytime, expect 24 X 7 access. Why should insurance be any different?

The most common scenario is when the insured is filing a claim off hours and wants to talk to his agent. But it extends to the insured who works all day, and wants to make changes to a policy when she's home at night. Providing 24 X 7 service isn't easy for agents to solve, particularly smaller agencies. It requires not only application of technology, but changes in staff behavior. However, taking this step is critical for agents to succeed in the digital marketplace.

### Key Findings

# 43%

of agents  
operate 24 X 7

- Overall 43% of agents are operating 24x7, and they are using staff, or automation, or a combination of both. But consider the flip side: more than half of agents **do not** have 24x7 access in any form and are missing an opportunity to both serve existing customers, and engage new prospects.

- 91% of agents say their clients are *not* asking for a client portal. But just because clients are not asking for it doesn't mean they don't want it. Agents that take the view that no news is good news risk being left behind.

# 23%

have a  
client portal

- Overall 23% of agents have a client portal today, and another 19% are investigating what it will take. Policy and billing information, quoting and rating are the top applications for those with portals. But there's a bigger opportunity for the nearly half of agents who don't have a portal and over 50% of agents who don't have mobile apps to consider adding them as part of their digital strategies.

# 21%

have a  
mobile app



## Finding, Winning & Keeping Customers

Agents are in the service business and finding, winning and keeping customers is critical to success. Digital technology plays a crucial role in enhancing agent's ability to strengthen relationships with existing customers and to attract prospects. And, in an increasingly digital world, that process often begins online.

The survey shows that there's a big opportunity for agents when it comes to their web sites, only 8% rate their sites excellent, and more telling, 60% say their sites are average to poor. Lack of functionality may be the reason, as less than a quarter of respondents say they can quote auto/home insurance from their sites. For agents and their websites, there's much more work to be done — from attracting new prospects online to being able to service existing customer claims through portals and mobile apps. The good news is that there are many technologies available to agents today at reasonable cost.

### Key Findings

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- Agencies are active on social media, including Facebook (78%) and LinkedIn (68%), but surprisingly only 16% of agents are using chat/instant messaging to communicate with customers and prospects. This is a relatively inexpensive technology, and easy to implement so the low percentage is surprising.
- Overall, 10% of agents say they're getting 50+ leads a month from the web, including social media — a small number, but encouraging to note that there is payoff for those who are investing in building their online presence. And just over one-half of the agents surveyed are satisfied with their current solutions to manage their pipelines.
- Agents are still using relatively traditional methods to communicate with their customers, with 98% using phone and 96% using email regularly. Interestingly, 47% of agents say they're using text to communicate with customers.
- Filing a claim is a defining moment in the client-agent relationship. Overall 81% of the agents surveyed provide claims information to customers, and 22% enable clients to report losses through their client portals or mobile apps.

**8%**

of agents say their web sites are excellent

**54%**

offer e-signature to their clients

**73%**

of agents can not quote auto and home from their sites.

## The Agility Factor — Automation is Key

There are significant opportunities for agents to gain greater efficiencies with proven technologies, including in claims, rating and quoting, and commission processing. Many agents have long-established manual workarounds to address the fact they work with multiple carriers with different requirements and processes. But there is clear opportunity for agents to continue to be vocal in communicating with their carriers and vendors, and diligent about working to stamp out manual processes wherever possible.

### Key Findings

# 60%

are not using  
claims download

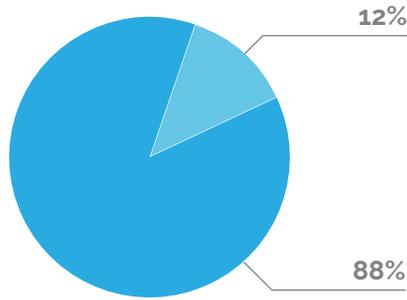
# 40%

say consistent  
workflow is the  
biggest  
automation  
challenge

- 60% of agents are very comfortable keeping their data in the cloud.
- Disjointed workflows are the norm for at least some agents. For example, 40% of agents quoting personal lines start on individual carrier portals, 16% are able to begin in their agency management systems, and 44% start in comparative raters.
- For commercial lines quoting, over half of agents start their workflow on carrier portals with only 6% bridging to the carrier portals.
- 45% of agents are using their agency management system claims modules, yet 55% do not.



## Survey Respondents



Overall, 88% of respondents are agents and 12% brokers or Managing General Agents.

- Agents
- Brokers/MGAs/MGUs

## About the Survey:

The survey was conducted electronically among agents in the United States between March 8 – April 5, 2016.

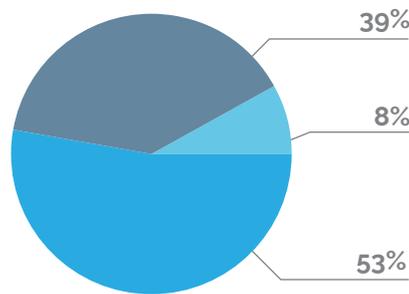
Overall, 4,304 agents and brokers responded to the survey.

## Acknowledgments:

We'd like to thank Applied Systems for help in administering and analyzing the survey, as well as providing the software and personnel for building the survey, and for their assistance in testing it.

We'd also like to acknowledge all the volunteers who provided input on the questions, the organizations who promoted the survey to the industry and the sponsors of the Insurance Digital Revolution.

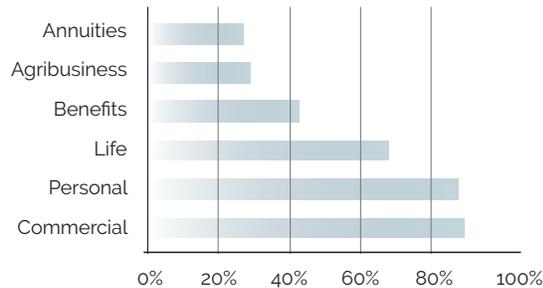
## Number of Locations



More than 50% of the respondents are smaller, with just a single site, followed by 39% that have between 2 and 10 locations, and a small number with 11 or more sites.

- 1 Location
- 2-10 Locations
- 11+ Location

## Lines of Business



Agents represented write a variety of business, with personal and commercial the most prevalent. Respondents were asked to select all lines of business that apply.

## Agency Management Systems Used by Respondents

Most respondents — 99% — have agency management systems, broken down as shown at right:

