

A Partnership of Convenience

Insurance carriers and independent agents both know how important each is to the other, but despite that relationship they haven't always made life easier for one another.

By Robert Regis Hyle

Independent insurance agents complain about proprietary technology offered by carriers. Carriers complain about the lack of appreciation shown by agents in the adoption of technology they offer. Like any partnership, making life easy for the other is supposed to be the goal, but achieving that type of cooperation hasn't been easy.

Ron Berg, executive director of the Agency Council on Technology, can rattle off a list of items that carriers need to adopt, ranging from single sign-on to e-signatures and electronic applications.

From a carrier perspective, with independent agents, everything is about ease of business, according to Wade Rugenstein, even when the agents stop doing business with the carrier.

"If you don't offer a certain endorsement, they move the business to someone who does," says Rugenstein, vice president, CIO, and chief operations officer for NTA Life. "Making the agents' lives as easy as possible and making sure things are accessible online is critical and if they have a problem they can call in and get a quick resolution."

Wayne Umland, who runs his own consulting firm after retiring as CIO from Glatfelter Insurance Group at the end of 2013, believes agencies are challenged to keep up with technology trends because of the expense of investing in new systems.

"Ninety percent of the programs written by MGAs are less than \$15 million a year in annual premium," explains Umland. "The vast majority of these agents are getting 25 percent revenue, maybe, and they have to staff an office, pay rent, process paperwork, and everything else. What do they have left to invest in technology? Not a lot of money."

Single Sign-on

Berg points out single sign-on is not just an agency issue,

though. Single sign-on offers benefits to carriers in the form of fewer calls from agencies concerning passwords and IDs.

"The plethora of IDs and passwords that are out there for agencies and the sharing of IDs and passwords is one part of the issue," says Berg. "The high percentage of password calls that any carrier gets just for this issue is something the industry has to work on as well."

There are different flavors of the single sign-on issue and Berg maintains three entities need to partner on this—carriers, agencies, and technology providers—to reach an agreement on what is best for everyone. The best answer thus far, according to Berg, comes from the ID Federation in the form of a product called SignOn Once.

"As SignOn Once is adopted and implementations reach critical mass with the carrier partners and with the vendors, that is the solution the industry will get to when it comes to IDs and passwords," he says. "It creates benefits not only for the carriers in almost wiping out calls for ID problems, it provides far greater security in that an authenticated user in an agency cannot take that ID when they leave one agency and go to another. This is the single highest initiative in our industry. It's where we've needed to be for a while and is a major pain point with agents. SignOn Once provides a template for participating carriers and vendors and one process for agents to use."



Wade Rugenstein



Zachary Gleason, COO of Houston-based Carroll Insurance Agency, believes insurers on both sides get sidetracked with issues such as single sign-on rather than what he thinks is an even bigger factor: ease in the quoting process.

"Single sign-on is great so you save yourself some time, but the real meat is in the fact you have to plug 35 automobiles into the quoting system," says Gleason. "That's the killer, especially since you've already plugged that into the agency system. The ease of quoting process is the biggest opportunity for carriers to benefit the agents and if you benefit agents you can clearly benefit clients."



Zachary Gleason

commercial lines.

"I'm as tech conscious as anyone and I've never once thought I needed to do my insurance business on the phone," he says. "With our clientele, you have the added dynamic that these business owners are not trying to do their business on the phone or a tablet."

Instead, Gleason believes it would be more valuable for carriers and technology providers to focus time and energy on the insured experience. What would be handy, he explains, is simplified access to policies and certificate management more than an app for an iPhone.

"In my mind you essentially accomplish that aspect with a shared Dropbox,"

he says. "All the information and certificates are in there. There are all these documents flying back and forth between an insured and an agent and there is definitely huge room for improvement. You can give someone access to a Dropbox to simplify things."

Another concern is technology-challenged business owners and agents. It's easy to set up a shared folder with some-

one, points out Gleason, but the bigger issue is whether they will use it. Gleason occasionally works with clients that roll their eyes at proposed changes and he becomes hesitant to bring them up.

"The organization of documents and related documents could be helpful and the technology is already there," says Gleason. "As the stars align and you have a customer and an agent that are comfortable with technology, they are probably already doing something like that."

Commercial buyers have little inter-

est in putting all their eggs in one basket, explains Gleason, but the agent can look at policy information and endorsements and parse out access to the clients that they should see in real time. Agencies are used to manually adding the data, but if the client could see that and click on an "add" button, a client's ability to do basic self-service could be helpful to agents.

E-signatures

Umland is unsure how big a deal e-signatures are for the agencies right now. Many have yet to find a reason to invest in it yet and he points out most electronic applications are considered legitimate.

"I haven't seen the huge play for e-signatures, at least in the P&C program space," he says.

ACT works with the ACORD e-signature community to make sure there is a consistent message going out to agents. This puts transparency around what the carriers are offering from an e-signature standpoint.

"There are some carriers looking to develop a proprietary or a co-opted solution," admits Berg. "A number have come out and said they will accept e-signatures from agents in whatever format they want if the agents follow some carrier guidelines. Insurance vendors are integrating e-signature solutions on their platforms with various vendors."

Agents just want to understand what's going on.

"We are trying to put clarity around this for the carriers and the vendors so agents can make intelligent decisions about ROI, turnaround time, and improved close ratios," says Berg.

Security in Place

The biggest issue agencies face in terms of security is so much work is being conducted in the cloud. Agencies such as Carroll have no on-site storage.

"Where the information resides is a challenge along with maintaining permissions and access," says Gleason.

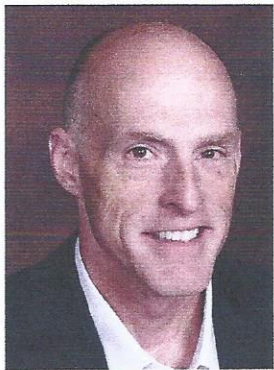
He believes there are two pieces to

Mobile Technology

Berg isn't sure how much carriers will be able to help independent agents from the mobile aspect. Many carriers offer a mobile app specifically for their customers, which Berg feels allows agents to keep their customers in the conversation, continue to be a trusted partner, and maintain touch points with the policyholder.

"Having individual carrier apps goes against that to a degree," he says. "There are those that are engrained around our workflows and around email. You might not classify that as the cutting edge of using your phone or social media for everything, but we have to understand the majority of the upcoming customer base is going to be centered on mobility."

Gleason isn't as concerned about mobility for Carroll's agents as others might be. Carriers like to tout their mobile initiatives, but Gleason doesn't believe it will drive growth, particularly for the



Ron Berg



the security puzzle. One is malicious people trying to get information. The second is the inadvertent release of information.

"One reason we signed on to Google Drive and then stopped using it for file sharing was because it was easy to give an external party access to a document and not really control it," he says. "You didn't have a list of who had access to what. But then some other employee comes in and uses the folder for something else and a client sees all this stuff. Ease of use around security features is also a problem."

ACT is proactive with its members on security issues such as data breach, system errors, and the need to be cautious around viruses, malware, and holes. ACT has a security and privacy work group that has been active with a strategy around providing a refreshed best practices. The work group also is looking at current carrier and agency agreements to find out what technology holes there are in those agreements.

"Agreements even five years ago didn't contemplate things like data breach, e-signatures, so we hope to finalize an updated recommendation on what those agreements should look like to include the emerging technology issues," says Berg. "Between industry advocacy as far as knowledge on security and privacy issues and a best practices document that would cover a lot of the issues, we want to update technology agreements to provide some depth and breadth of assistance to agents on those lines."

Berg reports it is not difficult to convince agents the importance of security and privacy, but what needs to be done is to provide the agencies with more information.

"There are all these things they know they need to address," says Berg. "It is so easy to say they'll look at it later or there is too much information so they don't know where to start. It gets delayed, but agents are well aware there are security

and privacy threats out there. There's just so much that agents have to plan for and address. I can appreciate how difficult that is for them."

Electronic Applications

Life and health is almost a different business than P&C, points out Rugenstein, but self-service is an area that touches both sides.

"When is the last time you've gone online and pulled up your life or health policy?" he asks. "There will be more self-service. We have all that functionality today, but getting the customers to use it is the issue. On the agency side, everything will be digital and the agents won't have to think about the rates and business rules and can focus on why people should own the product. Everyone will expect to have an electronic app. They'll be offended if they have to do it on paper."

For life and health carriers, historically, all applications have been paper based. Like many life carriers, though, NTA Life looks to make the transformation to electronic applications. Such a transition may be easy for someone who is electronic-focused and hates paper, explains Rugenstein, but the insurance industry is filled with agents that have been with their agency for decades and aren't interested in such a transformation.

Life and health is significantly behind P&C in terms of real-time interaction, explains Rugenstein, who has a P&C background with The Republic Group before joining NTA Life.

"There's not the complexity of rating that occurs at least on the simple term life or supplemental health policies," he says "It's not like getting a rating for a catastrophe zone; there are a lot more rating factors in P&C. They know the paper apps by heart and can write at a fast

pace, but customers are expecting more real-time information. It's an evolution."

Paper vs. Electronic

Most MGAs would love to be more efficient when it comes to data capture and have an agency management system that can collect electronic information in any format. They also would love to implement an electronic transaction with carriers to input data.

Umland explains MGAs have to either use the carrier system for quotes or go out on their own to get comparative

rates from various carriers. The second option means they need to rekey information into each system. Umland doesn't believe there is a comparative rater available that works effectively for the agency market.

"There aren't any standards, the applications are too long, and it's difficult to do electronic transactions," says Umland.



Wayne Umland

NTA is showing patience

with those agents who wish to remain in a paper world, according to Rugenstein.

"We respect our agents' needs, but we try to make sure they understand the value proposition," he says. "We developed our own internal e-application and there is value in having all the business rules. You can't mess up the application with the e-app. You can't forget to check a box or not sign something. It has electronic signature."

There also is the ability to get the application to the home office immediately. You don't have to mail it or FedEx it.

"The policy is issued quickly and the agents are paid quickly," says Rugenstein. "It's a win for the home office as well in terms of not having to re-key the information and read someone's handwriting."

The life side does have issues with customers getting cold feet after agreeing to the concept of the policy, but Ru-



genstein doesn't believe time lags are to blame.

"It's more like once they walk away from the sales person they could have regrets," he says. "I don't know if technology helps or hinders that, but the quicker we get the policy back certainly helps. We just don't have enough agents using the e-app to see if there is any issue with the 'not taken' customers at this point."

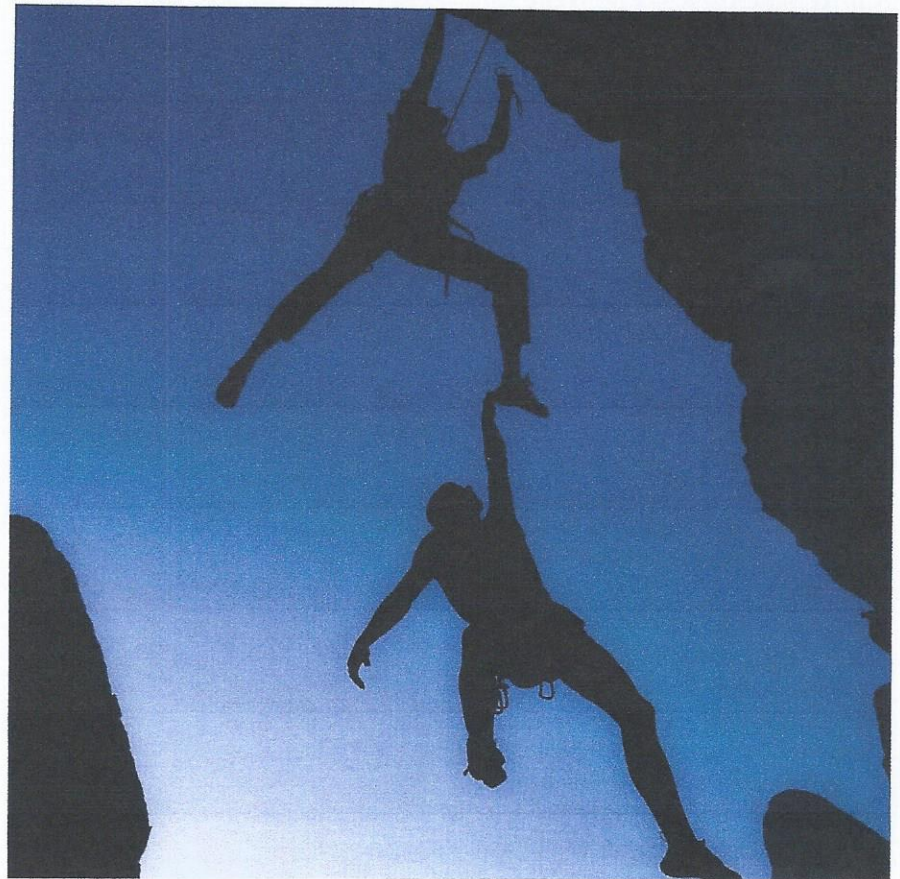
Turn it around

Standards are important to gain efficiencies for the agencies, but Umland isn't holding his breath.

"How long have we in this industry talked about standards?" he asks. "How many times have they tried? I don't know if we'll ever get to a point where the industry will agree to anything other than ACORD XML. We're going to have to realize that with all the data out there, the companies that are going to be successful—whether carrier or agency—are the ones that think differently about how they underwrite. Forget about all the stupid questions customers are asked, look at their book of business, and really go into analytics in depth."

Agency upload/download remains important because the redundancy in the insurance industry is time consuming and costly. Umland feels there needs to be an easier solution from technology providers, but the standards issue holds them back.

"If this market has the potential to be as profitable as everyone thinks it can be, how can an insurer tailor their software solution to get into that market, price it appropriately, and allow them to do what needs to be done," he says. "I don't know who has the appetite for it, but someone needs to strip out redundant keying, simplify data entry, do it electronically, and come up with a way for those guys in the program world to do comparative rating and be responsive. Customers want answers and don't want to wait overnight. The carriers that try to help the agencies be successful are the ones



that are going to win because the agency is going to keep looking for a carrier to make their life easier than it is today."

Carroll uses AMS 360 as its agency management system and its Transact Now capabilities. Like many things, Gleason explains, in theory, the agency can upload all the vehicles for a commercial auto policy and pick the best quote. The issue, though, is Gleason doesn't believe carriers have enough incentive to subscribe to a universal platform that would move them toward being a commodity.

"It can be difficult to get done," he says. "I sat in on a roundtable earlier this year and they were talking about how we could get the upload to work, but I could tell from a carrier representative that they are not about to subscribe to a universal standard."

Most of the top agencies tend to represent the same list of carriers—the

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**Wayne Umland,
Umland Consulting**

80-20 rule. To differentiate on specific service-related factors, agencies have to go out and get quotes and plug into the carrier system, explains Gleason.

Having access to a carrier's under-



writing staff is also part of the ease of business equation, points out Gleason. Some companies have a consistent culture and are easy to work with in this regard, particularly the top tier insurers, but all have some variations.

"If you talk to the oil and gas underwriters, they might be really responsive, but then you can talk to other underwriters concerning technology coverage and they can be impossible to get a hold of," he says. "It's more of a people issue than a technology issue."

The Future Agency

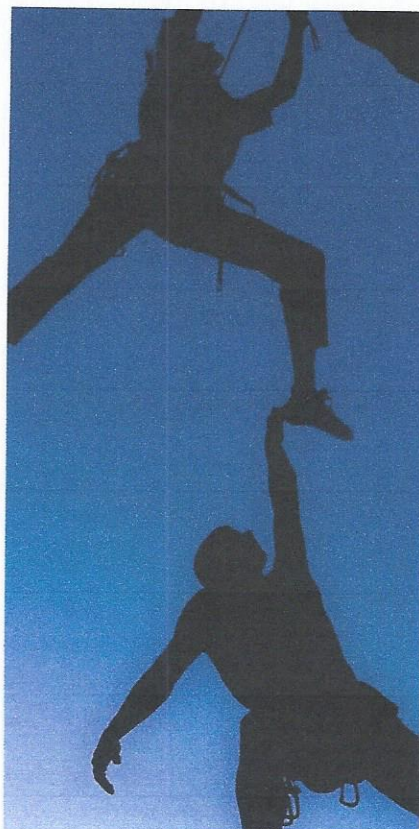
As digital and electronic communication improves, Rugenstein believes nearly all insurance business eventually will be electronic.

"From a compliance and regulatory perspective and how you process payment information, the processing piece will be secured online. The e-app will eventually become the primary form," he says "We stand strong that the agent involvement is important when you sell someone a policy and people understand what it is. The face-to-face interaction and the relationships ultimately have been a success for us and will continue. We want to make sure the technology enables that and makes it easy for everyone, including the customer, agent, and home office."

Life carriers have a different perspective on the future. Rugenstein points out a major life carrier such as MetLife has a huge online presence as well as an agent presence and other companies likely will follow that business plan.

"Our company thinks face-to-face is a better route because people understand what they are buying and are more likely to keep the policy because they understand the value of it," he says.

The consolidation of MGAs by either bigger brokers, carriers or reinsurers will continue in the coming years, explains Umland, thanks to the capital available for the larger players. He believes such activity will enable agencies to grow.



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Ron Berg, ACT

"Once agencies get acquired there will be more money to invest because the new owners will see the profitability picture better," he says. "Everyone I spoke to for the report I am working on with SMA, believes the agencies that fail to automate aren't going to be in business much longer. Those that continue with manual processing will get sucked out of

the equation."

A second factor for the future involves the use of data for real-time underwriting and for looking at profitability to make different decisions. Agencies recognize that it's a matter of who has the capital and the guts to jump into that, according to Umland.

"Most small agencies are sitting back a bit. They know they have to invest, but there are other investments that are just as critical. I think the use of data and analytics, not just for predictive modeling, but for better profiling, better risk management, and better book modeling, is what will make a difference in terms of profitability for these folks."

Berg believes in five years many independent agencies will become less brick and mortar and will respond to the needs of the incoming workforce who want a better work/life balance and more flexibility.

"The agent of the future is going to have to be more mobile," he says. "We're going to have to tap into the ability to access a larger array of data that's available from state and local databases, and from providers that give background and analysis on what's available on individuals and provide that business intelligence. We're going to have to, as an industry, react to some of the changes that will impact our industry—things like the Google driverless car once it becomes more of a reality. We'll see things like the Amazon drones. What does that mean for commercial lines insurance?"

Where agencies are going in the next five years as far as automation and technology advancement is going to affect every aspect of personal lines and commercial lines, explains Berg.

"We're going to see far more acceleration and expectation of the end user and the customer experience when and where they expect it," he says. "The agencies that are fully automated and mobile enabled and have active social and web presence are going to be the ones that get the business." **ITA**