

AGENCY **GROWTH SOLUTIONS**

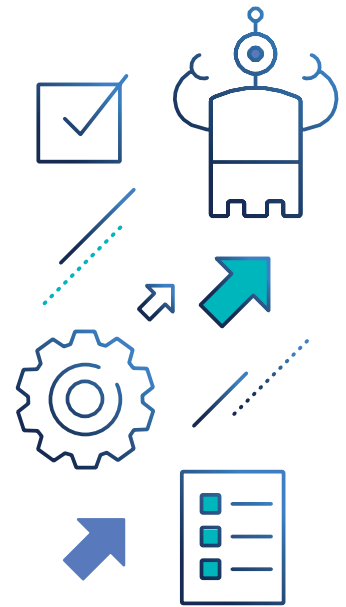
"Insurance Agent  
of the Future"



WHITEPAPER

When we think of the future, we often wonder about how life might eventually be lived, about how much better it could be. We think of commodities such as improved machinery that might help us function better and more independently in a circumstantial world. But most of all when we think of the future, we think of change. "Everything will be different." "I will be different." Most certainly, the role of the insurance agent will be different. No longer will an agent be able to commoditize their clients when they, themselves, have become the commodity.

Changing before our eyes is the landscape of the traditional insurance agent. And while the market will always remain malleable, the insurance agent must prepare themselves for flexibility. What is happening now is a diminishing role for agents in risk selection and pricing. The reality is that carriers aren't going to rely on your "gut instinct," as advancements in the science of data analytics has all but erased nearly every need for educated guesses. As Rik Kirkland of McKinsey & Company Analytics wrote in his May 2017 article regarding the difference between data and human beings:



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Data has some natural superiorities to humans for some things. It can see more. It can observe more from a growing body of information technology sensor networks, traffic lights, et cetera. Humans just don't have the kind of eyes wide enough to see what's going on within a traffic network.

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The entire function of the traditional insurance agent, one who would estimate risk and claims with a gut feeling and whatever experience they had, is rapidly becoming obsolete. Consumer buying habits have changed. Evolving underwriters and the increased use of analytics and data risk selections have reshaped the role. Insurance agents must provide many more and different services than they have ever needed to before. In addition, they must be self-sufficient explorers on the frontier of the online insurance marketplace.

Formerly the traditional agent fulfilled numerous roles. They were the ambassadors between the customers and the insurance companies. They would base claims and risk more on instinct and education, ideally historically based. However, now the agent must adapt to a world that seems to be phasing out the necessity of that mediation. The entire landscape of the agent is changing from a physical world to an analytical and digital one. This technological revolution of the insurance industry has evidently, and inevitably, changed the way insurance agencies do business. Connections with customers previously relied almost universally upon the insurance agent. Now there is a more direct line of access to the insurance companies themselves. This has caused insurance companies over the years to rethink their current strategies with regards to their insurance distribution business model.

Agents now, absent the role of the mediator between the agency and the customer, must adapt to survive. Their relationship with the customer must become more one of consultation, rather than product placement. An agent must now also become a reliable, accessible tool for their customers, available on their time, if they are to be able to compete in the new marketplace.

Another piece done by the associates at McKinsey & Company titled "Agents of the Future: The Evolution of Property and Casualty Insurance Distribution" suggests the rise of what they refer to as the "Multichannel." They describe this Multichannel as a model of convenience for the customer, whichever channels the customer feels are most convenient when shopping for commercial insurance (telephone, online, self-service, face-to-face, etc.) Adaptable agents must maintain at least that level of accessibility, and provide a satisfying, even enjoyable, customer experience.

Obviously, agents must become more available on the internet. Many more customers would rather go to TurboTax than to a tax agent, Expedia than to a travel agent. The insurance agent of the future is available with competitive immediacy when compared to insurance purchasing websites. However, the agent of the future is more valuable than a website. The agent of the future is going to be an indispensable facet of a customer's commercial insurance, an official partner in the longevity of their clients.

Agents must help improve a client's business. The relationship between the customer and the agent has shifted into a more consultative form. Where customers used to have to come to the local insurance business and purchase insurance at the impression of an agent, today, agents must form a relationship with the customer or else be eliminated from contention. The agent must have a genuine interest in the longitude of the customers they service because these customers are the only components of an evolving marketplace that could see any value in a relationship with them.

Agents must satisfy numerous new roles. In addition to the reformed relationship with the customer, the agent of the future must exude new value. Identifying and addressing previously unknown risks and helping prevent new ones. Helping prevent losses that could be influenced by the insurance buying process.

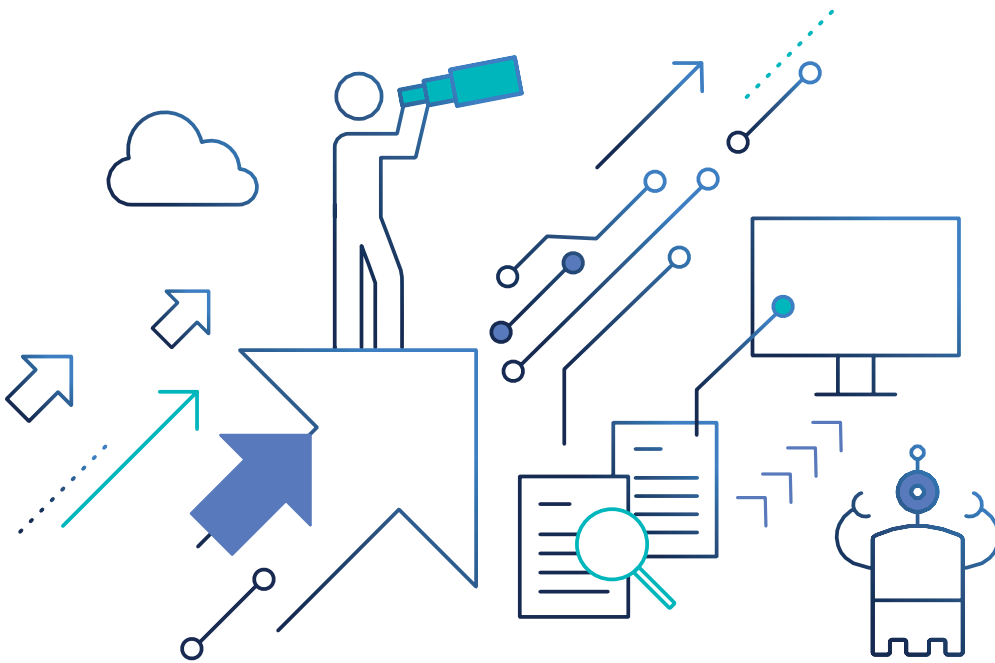
Most importantly, the agent of the future must be a leader. They must help the customer become a part of the conversation. They must make customers feel like they are benefiting from their relationship. Agents must be active in deciding about which risks transfer to the insurance company, while simultaneously representing their clients with sustained integrity. The role of the agent is only sustainable if they attain a high capacity for analytics, understanding not only how to read and record data about the present commercial insurance marketplace, but also able to predict new trends in transactions and technologies.

New technologies are on the forefront of the insurance world of tomorrow. This is a result of the private sector injecting equity into new technologies. Insurance is already



available online; it's only a matter of time for the traditional insurance agent to either adapt, or perish. Evidence of this technological forefront is everywhere. For example, in March of 2017, Traveler's Insurance, one of the three largest insurance writers in the United States, purchased a UK insurance company Simply Business. At the time of the purchase, Simply Business was the leading UK distributor of small business insurance, offering customers products available online. Traveler's CEO Alan Schnitzer called Simply Business "a profitable and growing technology company with impressive strategic digital capabilities." These qualities: profitable, technologically growing, strategic, and digitally capable; these are the qualities of the agent of the future.

Right before our eyes we have seen, in what seems like a night and day difference, the evolution of not only the insurance industry, but the insurance agent. Understanding the new trends of the marketplace, especially under the influence of technological renovations and inventions, is crucial to the sustainability of agencies and agents alike. New circumstances are constantly on the horizon. The best way to be prepared for the future of the market is to be current in the present.



## ABOUT THE AUTHOR

### FRANK PENNACHIO

Frank Pennachio has spent more than 30 years in the insurance industry as an agent and producer, expertise he's leveraged to personally train more than 1,000 insurance professionals. In 2009, he sold his agency and co-founded Oceanus Partners with his partner, Susan Toussaint. Oceanus Partners was acquired by ReSource Pro in 2019, and Frank now serves as Practice Leader, Growth Solutions, helping independent insurance agents and insurance carriers develop risk management expertise and drive new business.

Frank is an expert in the technical elements of workers' compensation, emphasizing the need for agents to understand all aspects of protecting an employers' workforce to provide true value. In addition, Frank is knowledgeable in agency sales and marketing strategies designed specifically to reduce reliance on contingency commissions and increase agency revenues.

Highly regarded as a speaker and thought leader, Frank regularly presents at conferences and publishes articles in outlets as Risk and Insurance, Professional Insurance Agent, WCEC, HR Magazine, and Insurance Journal. When speaking, he hopes to educate, entertain, and provoke his audiences to think in a new way about emerging challenges.

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**visit us:** [resourcepro.com](http://resourcepro.com)

**email us:** [susan@resourcepro.com](mailto:susan@resourcepro.com)