

The background of the entire page is a blue-tinted image. It shows a person's hand holding a smartphone. Overlaid on the image are various white line graphs, bar charts, and circular data visualizations, suggesting a focus on technology and data analysis in the insurance industry.

Safeco Insurance™
A Liberty Mutual Company

Independent agents shift focus from service to growth

we believe in the enduring value of independent agents

In an era of rapid change and new risks, consumers need a trusted advisor who can guide and advocate for them. They need an independent agent.

At Safeco™, we're constantly looking forward to uncover opportunities and challenges that lie ahead for the independent agent channel. By knowing what's around the corner, we can share actionable insights and develop capabilities that enable you to be an Agent for the Future™ – one who is not only thriving today but is also continuously evolving to take advantage of new opportunities.

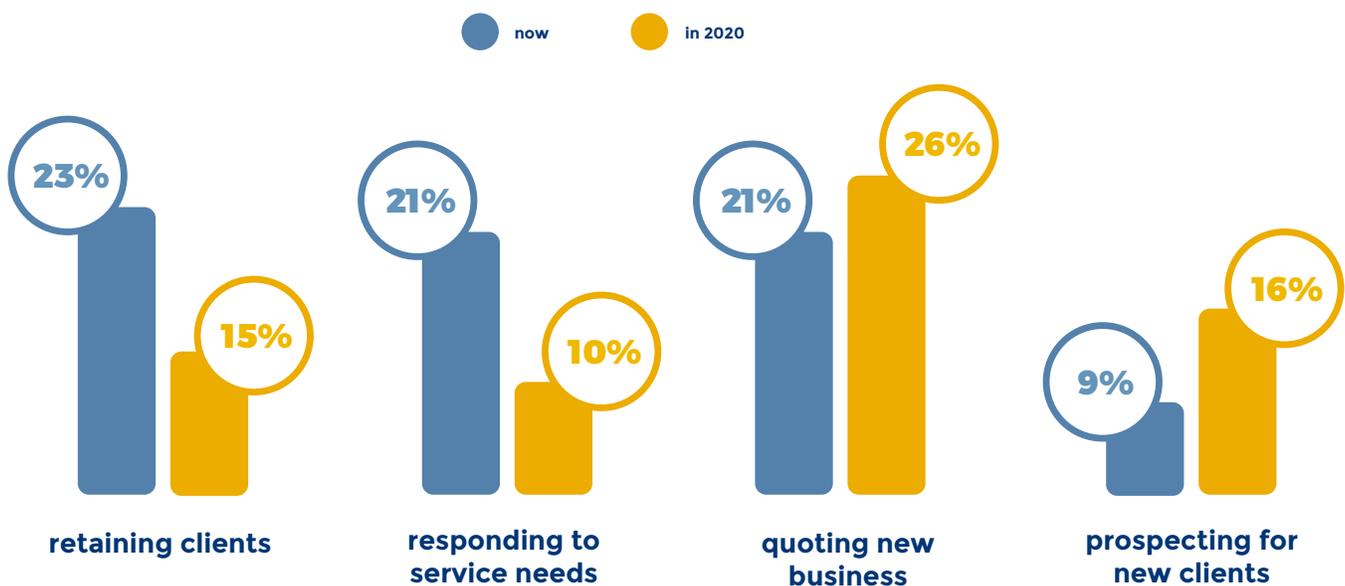
Safeco recently conducted its Agent for the Future survey to get input from independent agents about how they are adapting to current changes, what they think will be important in the future and what they are doing today to prepare for tomorrow. We received responses from 600 independent agents regarding current industry trends and how those trends are expected to shape insurance through the year 2020.

how IAs spend their time today and new priorities in 2020

We asked agents about their current business priorities and what they would be in 2020. It might not come as a surprise that agents today spend the majority of their time retaining clients and that prospecting for new clients gets the least amount of time.

However, in 2020 – just two years from now – agents indicate they want to make a complete 180° and spend the majority of their time quoting and pursuing new business. Of course, wanting to grow business is not unusual. What is unexpected is the magnitude of the change IAs envision.

how agents want to spend their time now and in 2020



The biggest anticipated change is a decline in the amount of time agents want to spend responding to customer service needs. Agents report that they currently allocate **21 percent** of their time providing customer service, but they want to cut that in half to just **10 percent** in 2020.

Instead, agents surveyed want to dedicate more time to grow their business. Today, agents spend only **nine percent** of their time prospecting for new clients. Yet, Safeco's survey revealed that in 2020, agents want to spend **16 percent** of their time pursuing new clients – making it the second highest priority in 2020, right after spending **26 percent** of their time quoting new business.

This shift in priorities signals exciting opportunities for growth and the beginning of an exciting new era for the independent agency channel. **This raises the question: how can IAs grow their business without compromising service or jeopardizing retention?**

the answer: divide and conquer

This is where harnessing the power of digital solutions and expanding your partnership with trusted carriers comes in. Leveraging carrier customer service programs will support your customer service needs and aid retention; they can also boost your efforts to grow the business.

customer service and retention

Today's consumers want more ways to engage and do business whenever they want, from wherever they are and on whatever devices they have handy. This doesn't come as a surprise to IAs. Safeco's Agent for the Future survey revealed that **60 percent** of agents recognize consumers' need for online and mobile solutions is of major importance.

consumer need for online/mobile



The combination of customers' desire to manage routine account tasks and their increasing comfort with technology satisfies customers' desire to "serve themselves." Equally important, it also creates the opportunity for agents to reassess where they can make a difference and make customer service more efficient – without sacrificing customer satisfaction or retention.

rethinking customer service

Traditionally, it's been thought that every interaction with a customer is an opportunity to build long-term loyalty. While that may once have been true, that's no longer the case.

Yoda, the sage Jedi Master in Star Wars, advised young Luke Skywalker -- "choose wisely you must." That same counsel pertains to agents deciding which areas to focus on when providing service to their customers. If agents want to make a strategic pivot toward growth, it will help to be more selective when determining which customer service needs have the most potential for an agent to provide meaningful value.

The likelihood of an agent building long-term loyalty over low-value transactions – such as sending new ID cards or changing a method of payment – is relatively small. That's where mobile and online account management tools come in. Customers get the access they expect, and your team can focus on growing the business.

"I have no doubt that all carriers and agents need to be deeply digital in their approach to interacting with customers. Our approach in providing digital capabilities to customers is to use technology to automate what we consider to be lower-value touches. These are the things customers want to be able to do on their own, and they are also the things that many agents would rather relieve their staff from doing because it's not adding unique value to the relationship."

- Tyler Asher, president of Safeco

the importance of access 24/7

Of course, sometimes customers want to speak with an actual person, and they expect to be able to do that when it is most convenient for them. This is especially true for millennials who want access to customer service 24/7, 365 days of the year. The majority of agents surveyed (**55 percent**) believe that millennials (the largest segment of the population) will have a major impact on their agency by 2020.

Safeco’s Agent for the Future survey revealed that **56 percent** of agents don’t think there is a need for extended business hours. It’s understandable that expense might be cost-prohibitive, however there are ways to be available to your customers around the clock.

Carrier service centers, such as Safeco® Gold, are open 24/7 every day of the year. In fact, **27 percent** of the customer calls to Safeco Gold come in outside traditional agency business hours.

how do IAs plan to grow their business?

As agents push for more growth, they’ve identified a compelling mix of strategies as part of their plan for success. IAs rank increasing cross-sells, hiring new producers and reaching out to new market segments as part of their “must-do” list for expanding their business.

how agents plan to grow in the next five years



The great news is that agents don’t have to tackle growth all on their own. Not only does leveraging carrier customer service programs help satisfy customers’ changing needs and aid retention, but they can also boost efforts to grow the business.

Agents report that increasing cross-sells is the number one way they plan to grow. This is when working with a carrier service program can make a big impact.



1 in 12 customer calls to Safeco Gold leads to a cross-sell opportunity. We close nearly 50% of the time.

Carrier customer service representatives have deep knowledge of their company's product lines and are adept at turning routine calls into cross-selling opportunities.



Generated \$39 million in new business for Gold agencies in 2016

For example, one in 12 calls to Safeco Gold leads identifies a cross-selling opportunity and the sales team closes nearly **50 percent** of the time. In 2016, the company generated **\$39 million** in new business for Safeco Gold agencies.

Future growth will partially be determined by how well IAs and carriers anticipate and adapt to an ever-changing landscape which includes new technologies, shifting demographics and evolving customer preferences.

Of course, independent agents face the added complexity of working with a wide variety of products from multiple carriers. According to the IIABA 2016 Agency Universe Study, an independent insurance agency works with an average of 7.5 standard personal line carriers.

Working with carrier service programs can make things a whole lot easier for agents. Carrier CSRs have deep knowledge of their entire product line, which is especially helpful as new products are introduced to meet emerging risks.



30% of those surveyed believe the sharing economy will have a major effect on their agency by 2020



only 32% are very comfortable selling gap coverage for ride/homesharing

For example, when asked to identify trends that might impact their agencies in 2020, **30 percent** of agents believe that the sharing economy will have a major impact on their agency. However, the rapid pace of change, it's understandable that only **32 percent** of agents said they are very comfortable selling gap coverage for ride/homesharing. This is an area where carrier CSRs can help fill the "gap."

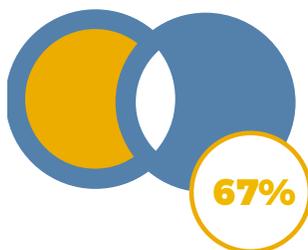
pursuing new markets (beyond millennials)

For **31 percent** of agents surveyed, the path for growth includes pursuing new market segments. Offering online and mobile tools exemplifies how agents are adapting in order to attract new customers such as tech-savvy millennials.

Given all of the discussion about the size of the millennial population, it could be easy to overlook the emergence of other important demographics. For instance, the United States Census Bureau estimates that there are 55 million Hispanic people in the country, making up more than 17 percent of the U.S. population.

Similar to extending business hours, it might seem daunting or cost-prohibitive for agencies to hire to meet the needs of non-English speaking customers. Today, only **25 percent** of agents surveyed offer non-English-speaking options and **42 percent** say non-English communication tools are not a necessity.

This is another example of where carrier service programs can become an extension of your agency and support your efforts to attract new customers. The Safeco Gold team offers Spanish language support, with other languages supported via interpreters.



67% of IAs surveyed believe change in ethnic makeup will have some effect on their agency by 2020



42% of IAs surveyed don't think it's important to speak other languages

working together, we win!

This is the moment many IAs have been waiting for... the opportunity to streamline routine customer service tasks without sacrificing customer satisfaction or jeopardizing retention. You want your team to be free to grow the business, whether it's having the time to have more meaningful conversations with existing clients to deepen relationships, quoting more business or pursuing new markets.

Leveraging online digital capabilities and working with carrier customer service programs can help agents to reevaluate where they provide true value so that they can pivot toward growth.

Safeco is investing to be an industry leader in customer self-service, and while doing so, fueling agents' ability to deliver the ease, choice and expert advice that consumers want today and in the future. But evolving to meet changing expectations is a shared responsibility. Like insurance carriers, independent agents who invest in technology and have a plan for meeting the consumer on their terms will be the agents who win in the long term.

safeco's commitment to be the partner for the future

We wholeheartedly believe independent agents are in a unique position to win with consumers—no other distribution channel offers the combination of ease, choice and advice that you do.

These two truths have consistently been at the heart of all Safeco does and makes our partnership what it is. We consider it an honor to work hard every day to be the carrier champion of the independent agent.

Safeco believes that together, we will continue to win in the marketplace. We're building a new technology platform that will support improved products and the easiest quoting you've seen. We're developing innovative products and services that will ensure you stay relevant in a changing marketplace, and we're making it easy for customers to self-serve on the simple tasks through their online account and the safeco mobile app, so you have time for higher-value interactions. Safeco has and will continue to be exclusively focused on independent agents and their success. That is our pledge to IAs and we encourage other IAs-focused carriers to increase their efforts by investing in resources that help independent agents thrive. We are all in this together.

safeco's four big bets

Safeco's commitment to independent agents is reflected in four core investments we are making. We believe these initiatives will help IAs compete effectively today, prepare for the future and further strengthen our partnership.



agent-first

Independent agents are at the heart of everything we do. From underwriting and growth programs to compensation and a groundbreaking quoting and issuing platform.... we pledge to keep agents first. We are committed to making it easy to do business with us and quickly delivering the expertise IAs need to be successful.



customer-centric

Being customer-centric requires carriers and IAs to adapt to customers' rapidly changing preferences for how and when they want to do business. How do we do that? By providing easy, time-saving digital tools that enable customers to complete simple tasks, request roadside assistance or even submit a claim. We can also provide your customers with 24/7 service, acting as a natural extension of your agency. This allows your customers to speak to an expert immediately if needed.

We believe IAs are strategic advisors who can help consumers protect many aspects of their lives – not just their car or home. That belief guides our research, and the new ideas we bring to market open up more possibility for the future and ensure that as the market transforms, the business can evolve with it.



deeply digital

Strengthening our digital capabilities is key to our promise to provide agents and their customers with a first-class experience. Our deep investments in technology will bring the next generation of digital tools to life for Safeco agents and their customers.



innovation always

It's not a question of if the insurance industry is being disrupted, it's a question of *when and by how much?* Regardless of how insurance evolves over the next few years, Safeco believes agents will continue to play a critical role helping consumers protect what matters most.

We are honored that agents voted Safeco as the #1 carrier for innovation and are committed to working with them to better understand the future needs of customers and provide effective solutions.

appendix I

survey structure

a cross-section of independent agents

Survey respondents included:

- Principal/owners (51%)
- Producers (25%)
- Customer service reps/account execs/account managers (12%)
- Agency managers/personal lines managers (12%)

Overall, males and females were equally represented in our survey at 50/50. Genders skewed most heavily to males in the principal roles (74% male/26% female), while women dominated in the CSR/AE/AM positions (93% female/7% male) and Agency/PL manager roles (78% female/22% male).

Although ages ranged from 35 to over 65, respondent numbers were skewed above 45 (75%), which reflects our goal of capturing the insight of agency leaders.

- Under 35 (8%)
- 35-39 (7%)
- 40-44 (10%)
- 45-49 (13%)
- 50-54 (16%)
- 55-59 (18%)
- 60-64 (16%)
- 65+ (12%)

Surveyed agency sizes varied, but based on total annual premium volume for personal lines (PL)/commercial lines (CL), 75 percent were above \$1M:

- Under \$250K (7%)
- \$250K - \$500K (6%)
- \$500K - \$1M (11%)
- \$1M - \$2.5M (27%)
- \$2.5M - \$5M (25%)
- Over \$5M (24%)

Most would be considered small- to medium-sized based on number of employees:

- Only 1 (7%)

- 2-5 (44%)
- 6-10 (23%)
- 11-20 (13%)
- 21-50 (8%)
- More than 50 (5%)

methodology

Findings in this research are based on a survey among 600 independent agents conducted in April and May 2017 throughout the United States. The survey was conducted online. Respondents for this survey were selected from among those who have volunteered to participate in online surveys. Because the sample is based on those who initially self-selected for participation in the panel rather than a probability sample, no estimates of sampling error can be calculated. All sample surveys and polls may be subject to multiple sources of error, including, but not limited to sampling error, coverage error, and measurement error.