

Safeco Insurance™
A Liberty Mutual Company

safeco™ report: what it takes to be an agent for the future™



Much has been written about independent insurance agents fending off fierce competition from direct-to-consumer carriers and captive agents. Despite intense pressure from other channels, independent agents have maintained market share and continue to leverage their unique ability to provide their customers with ease, choice and advice.

Given the pressure of competing in a crowded marketplace, it could be tempting for IAs to focus on the daily challenges of serving and retaining existing customers, as well as trying to find time to grow their business.

But what about the future? What should independent agents be doing to prepare now for the changing landscape of the imminent future?

agents target 2020

Safeco Insurance recently surveyed 600 independent agents around the country to learn more 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.

It's often said that we'll see more change in the insurance industry in the next five years than we saw in the last 25. Therefore, we decided to focus on the foreseeable future and identify specific steps agents can take to be prepared for 2020, which is less than three years away. Safeco's Agent for the Future survey focused on areas such as:

- How agent roles and business priorities are evolving
- The impact of customer habits and expectations on agency operations
- The effect of trends on employee as well as new customer recruitment and retention
- How technology is altering both day-to-day business and long-term growth potential

big shifts in priorities

Safeco's Agent for the Future survey indicates a noteworthy shift happening among agents regarding what they would like to prioritize from a business and customer service perspective. Recognizing that societal and technological shifts are impacting how customers want to engage with an insurance provider, many independent agents are addressing new competitive realities, upgrading service operations, and transitioning role responsibilities.

Fortunately, many of these transformations should also benefit employee recruitment and retention rates as well as overall productivity.

Also, agents are no longer just *discussing* improvements needed to better serve clients, grow premium volumes and support employee satisfaction. Increasingly more are actively making, or planning, for these enhancements.

The nation's independent agents say they recognize that to ensure long-term agency growth, it can no longer be business as usual.

state of the independent agent in 2017

Safeco's Agent for the Future survey indicates America's independent agents are poised to address several key market shifts and are taking important steps to lay the foundation for future growth. Currently, independent agencies are placing particular emphasis on:

- Evolving the roles and responsibilities of agents
- Utilizing new technologies to address customer needs
- Growing their infrastructure

According to the 2016 Agency Universe Study, 75 percent of agencies have under \$500K in revenue and between 3-4 employees. Therefore, these advances, combined with agent predictions for the future, may signal an exciting shift in momentum for the IA channel which will enable agents to grow their business and provide even greater levels of advice, service and support to their customers.

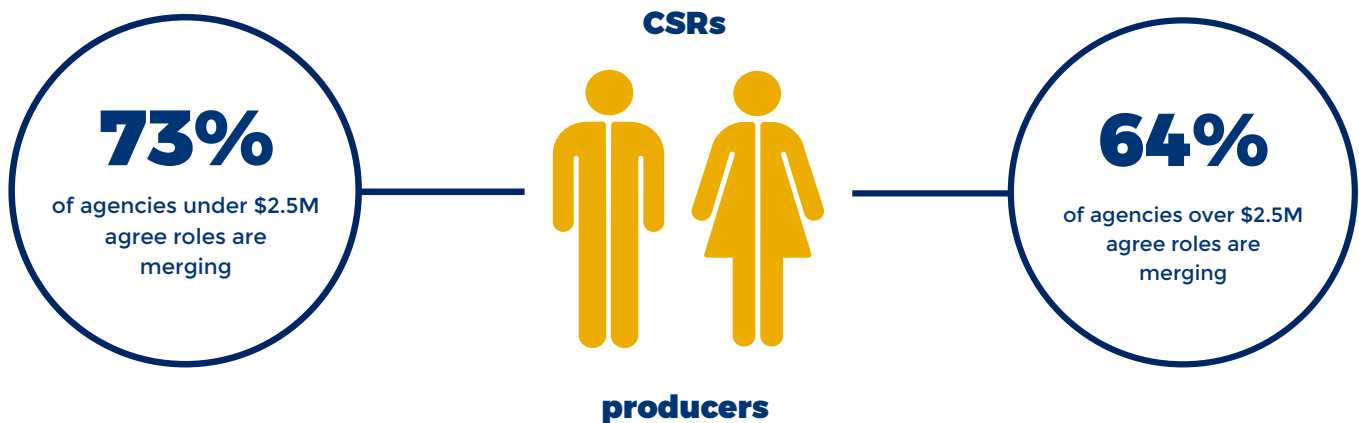
the roles of producer and CSR are merging

Recognizing that IAs often wear many hats, we were curious about how the roles of CSRs and producers might be evolving. Those surveyed said that they see the responsibilities of producers and CSRs merging into an account executive or account manager role.

Some of the agents surveyed believe this may be in part because technology has taken on some of the mundane agency tasks, freeing both CSRs and producers. As one agent noted, "CSRs are more apt to quote and issue now, rather than just service. Automation has helped with that change."

Agents reported that **37 percent** of CSRs write a lot of new business and that **43 percent** of producers provide a lot of service to their customers.

roles in 2017



These blended roles can benefit customer service. One IA surveyed said it best, “I encourage my CSR to take the phone call from start to finish. The CSR needs to know how to sell multiple lines of business and be able to answer questions or find answers without passing the client from person to person within the agency.”

“As CSRs grow and learn to do a better job of account rounding and cross-selling, they blur the lines. As more marketing is being done by the agency, producers are becoming more like CSRs and not doing the traditional selling and prospecting.”

- Agency Owner

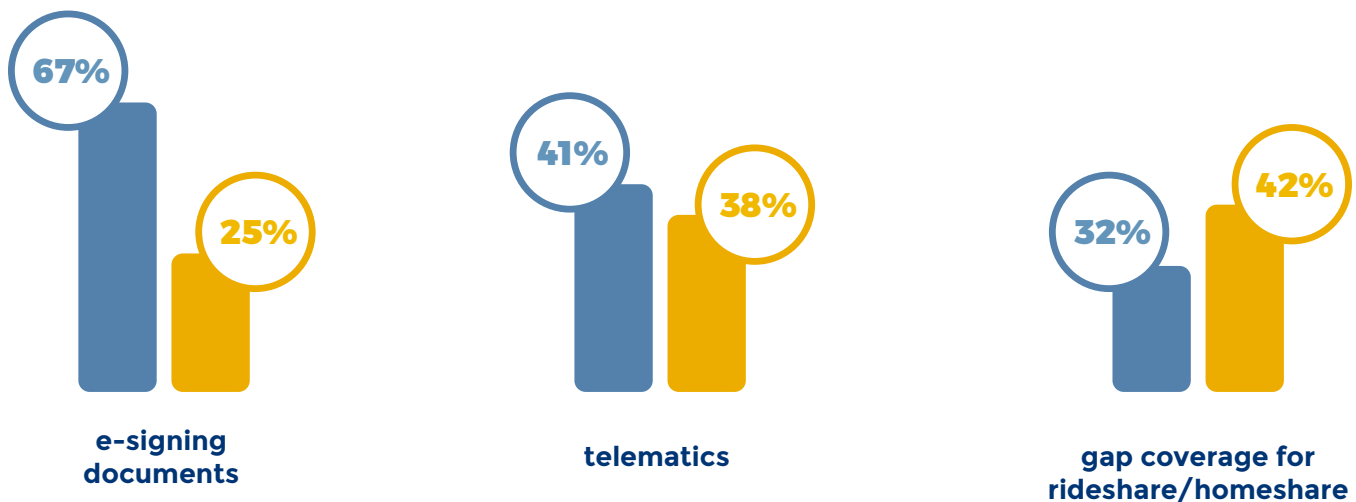
In addition, when CSRs are helping a customer, they are in a prime position to look for opportunities to cross-sell additional products and services.

comfort with evolving customer needs

Contrary to the popular stereotype that IAs are wary of change, Safeco’s research reveals that today’s IAs are adapting to some of the changing needs of customers by offering the ability to e-sign documents or providing gap coverage for ridesharing. This will become increasingly important since **30 percent** of agents expect that the sharing economy will have a major effect by 2020.

current level of comfort

● very comfortable ● somewhat comfortable



However, there is room for improvement. While **40 percent** of IAs are comfortable with online account management for their customers, **38 percent** of IAs are still only somewhat comfortable with the idea. Even more concerning, **14 percent** are not comfortable with online account management and **8 percent** don't want to offer it at all.

Understandably, some agents expressed appropriate concerns about customers making unwise changes to their coverage without professional guidance. However, customers can take care of many routine activities online such as checking policy details, printing ID cards or paying their bills.

a need to embrace online account management



According to [research by Gallup](#), “offering the services you need online” and “ease of managing your account” are some of the top drivers for engaging millennial customers.

More IAs must encourage customers to use online account management tools or risk losing them to direct carriers that will meet their online information needs.

you're hired!

One potential way to gauge the outlook for the industry is to look at hiring trends. **More than half** of the agents surveyed indicated their agencies have hired new producers, service and support staff in the past two years. Perhaps even more encouraging is that **more than half** of those positions were filled by millennials.

The largest, and fastest growing segment of the population, millennials are changing both how we buy and sell insurance. Those born the earliest of this generation turn 36 in 2017, so their leadership will increasingly shape trends.

Millennials have been described as “technology natives.” Unlike previous generations, they have not had to learn how to integrate technology into their personal or business lives—technology simply has always been there. As a result, they don't merely prefer more digital access and online flexibility; they expect it as consumers and as employees.

Safeco's survey revealed that **58 percent** of all new hires are millennials – certainly an encouraging sign that agents are welcoming this powerful segment of the population into the IA channel. This will also enable them to serve the needs of millennial prospects with agents like themselves.

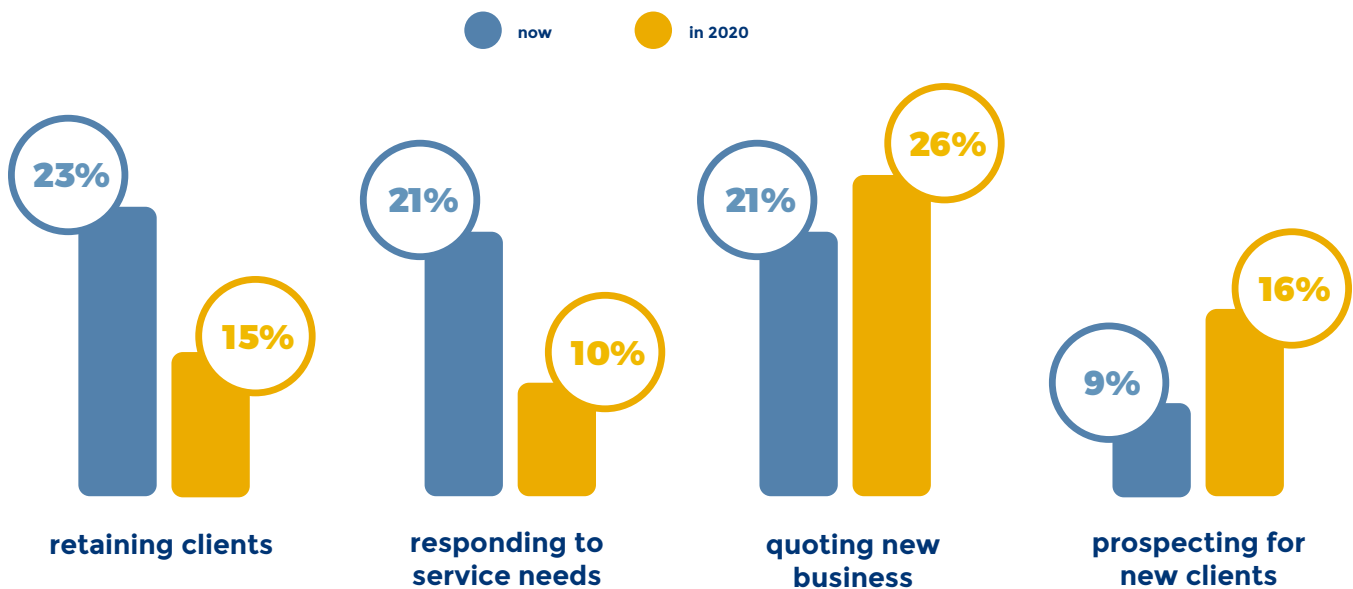


how IAs are preparing for 2020

a growth mindset

Looking ahead, independent agents appear poised to expand their business; envisioning a shift from the current focus of retaining and servicing clients to a greater emphasis on *growing* their business.

how agents want to spend their time now and in 2020



As previously noted, agents see the roles of producers and CSRs beginning to merge. Looking ahead, the shared ability to sell and serve clients will be essential to fuel the growth IAs desire by 2020. In fact, Safeco's survey indicates that **31 percent** of agents anticipate that CSRs will spend even more time writing new business in 2020.

impact for IAs

- Agencies will need to continue to merge responsibilities to support growth, without compromising retention or customer service.
- Technology will be vital to accomplish this by reducing or even eliminating time needed for essential, but repetitive, tasks such as ordering ID cards or answering routine policy and billing inquiries.
- At the same time, technology can improve industry performance related to responsiveness, accessibility and target market communication.

how IAs plan to fill the pipeline

As agents push for more growth, they've identified a compelling mix of strategies as part of their plan for success. Not surprisingly, IAs rank increasing cross-sells, new lead sources and hiring new producers at the top of their "must-do" list for growth.

However, it is encouraging to see the importance IAs place on the power of adding new digital capabilities, investing in marketing and reaching out to new market segments.

how agents plan to grow in the next five years

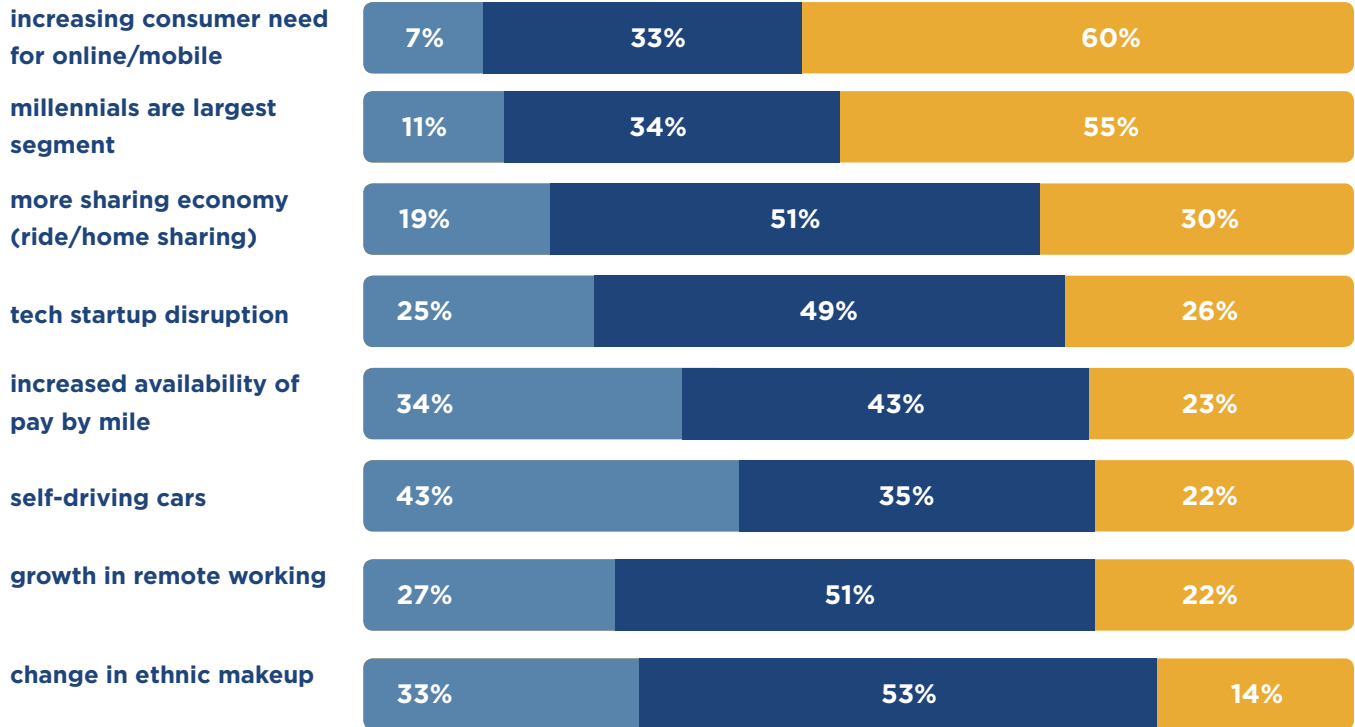


Of course, future growth will partially be determined by how well IAs and carriers anticipate and adapt to an ever-changing landscape which includes new technologies, shifting demographics and evolving customer preferences.

When asked to identify trends that might impact them in 2020, independent agents acknowledge consumer demand for online and mobile capabilities. Yet, as previously mentioned, more agents must be comfortable with customers managing certain aspects of their account online.

effect on your agency by 2020

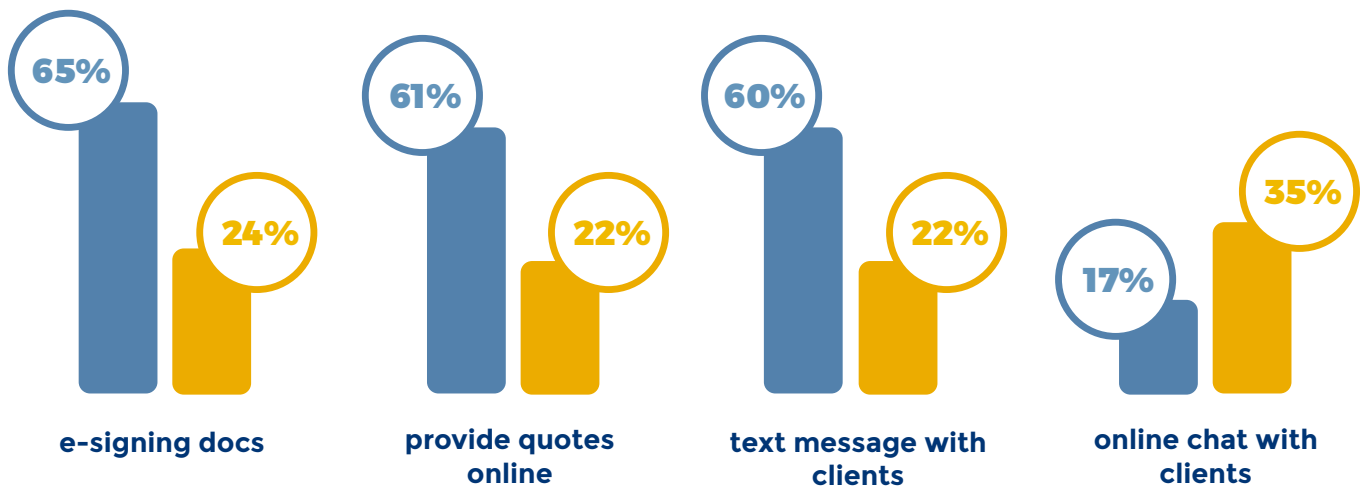
● no/don't know ● minor ● major



Despite some reluctance to enable customers to manage their account online, agents are embracing some digital tools that customers expect including providing quotes online, e-signing documents, text messaging and online chat with clients.

the state of agency capabilities

● have this now ● should do this soon



the need for extended hours

Interestingly, small (under \$2.5M) agencies are more likely to say they have extended hours (evenings and Saturdays) than larger ones, **33 percent** versus **14 percent**, and more likely to text with their clients, **73 percent** versus **53 percent**.

Safeco's survey indicated that **56 percent** of independent agents have no plans to offer evening or Saturday hours. Even a few additional options a week during non-traditional business hours could be particularly rewarding for agents seeking to attract customers who prefer the flexibility of meeting outside of typical office hours.

millennials: clients and employees

Much attention has been paid to the technology needs of millennials as consumers. However, IAs should also consider it a cost-of-entry investment when hiring.

When looking to recruit millennial staffers, agencies must realize that 81 percent say the kind of technology an employer offers plays a role in their decision to take a job, according to the [2016 Future Workforce Study by Dell](#). In addition, 42 percent say they are more apt to change employers if they can find better technology elsewhere.

beyond 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 example, the [United States Census Bureau](#) estimates that there are 55 million Hispanic people in the country, [making up more than 17% of the U.S. population](#).

Logically, the impact of Hispanics extends to millennials in the United States. According to the [Pew Research Center](#), 32% of Hispanic adults in the U.S. are millennials.

New market segments were named a vital part of an agency's five-year growth plan, therefore it makes sense that the Hispanic market represents a compelling opportunity. Yet, **only 14 percent** of independent agents Safeco surveyed believe the growth of the Hispanic market could have a major impact on their business.

Research presented by [Trends in Marketing Insurance to Hispanics](#) reveals:

- Major insurance carriers in the U.S. had an "En Español" link from their general market website by 2005.
- Select carriers, such as Safeco, have services which provide a toll-free number supported by bilingual service representatives.

IAs should consider additional services such as speaking a language other than English, or providing extended hours in the evening or on Saturdays. Today, only **25 percent** of those surveyed offer non-English speaking options and **42 percent** say non-English communication tools are not a necessity.

why planning for the future ultimately matters

Every independent agency one day will be merged, sold, perpetuated, given to the children – or unfortunately just go out of business. Regardless of an agency owner’s ultimate path, the valuation of the firm has very real-life consequences.

It turns out that so many of the strategies independent agencies want to pursue by 2020 in the name of new business growth also add to the valuation of their firms. Careful review of market trends and deliberate long-range planning help owners maximize the appeal of the organization to buyers or position it for the strongest possible perpetuation and transition to new leadership.

If you have not completed an agency valuation recently, this report should compel action.

Whether planning to compete for the next 20 years or preparing to transition the agency in the next few years, most agencies should make changes now to be ready. Client and employee needs are changing. A well-planned, deliberate approach forward is necessary to greet their future with true long-term growth and success.

The time to begin planning is now – 2020 is coming.

Will you be ready?

safeco’s commitment to be the partner for the future

We wholeheartedly believe that 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.

This belief has consistently been at the heart of all we do 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 promise to IAs and we encourage the entire industry to dedicate their efforts and invest in resources that help independent agents thrive.

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.