

AGENT FOR THE FUTURE™ — RESEARCH

Rise of the Digital Insurance Agency

AgentForTheFuture.com/DigitalAgencyReport



Introduction

Digital adoption is reaching a tipping point in the insurance industry. To thrive in the future, agencies must adopt digital ways of doing business.

Today's consumer expects a streamlined digital experience throughout the customer journey. [Liberty Mutual research in 2019](#) showed that more consumers were turning to digital channels to learn about agents, purchase insurance and get service on their policies. Since then, consumer expectations have only grown, especially after COVID-19 disrupted traditional ways of doing business.

Liberty Mutual and Safeco Insurance surveyed 600 independent agents and brokers to learn about the digital capabilities they use, the business value those capabilities provide, and what their digital priorities will be in the next year.

Key Findings & Table of Contents

The Rise of the Digital Insurance Agency report examines the business value of digital and distills key trends into actionable insights to help independent agents and brokers navigate the rising tides of digital.

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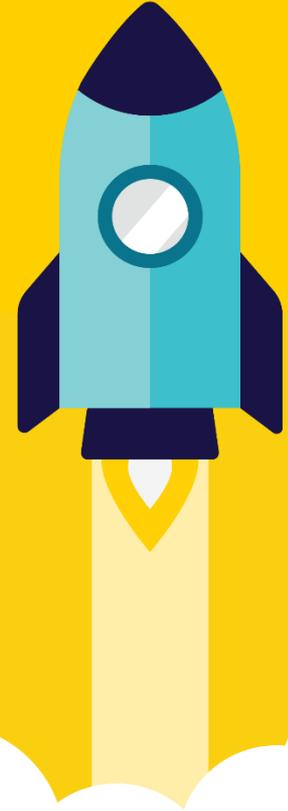
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Digital adoption leads to faster growth

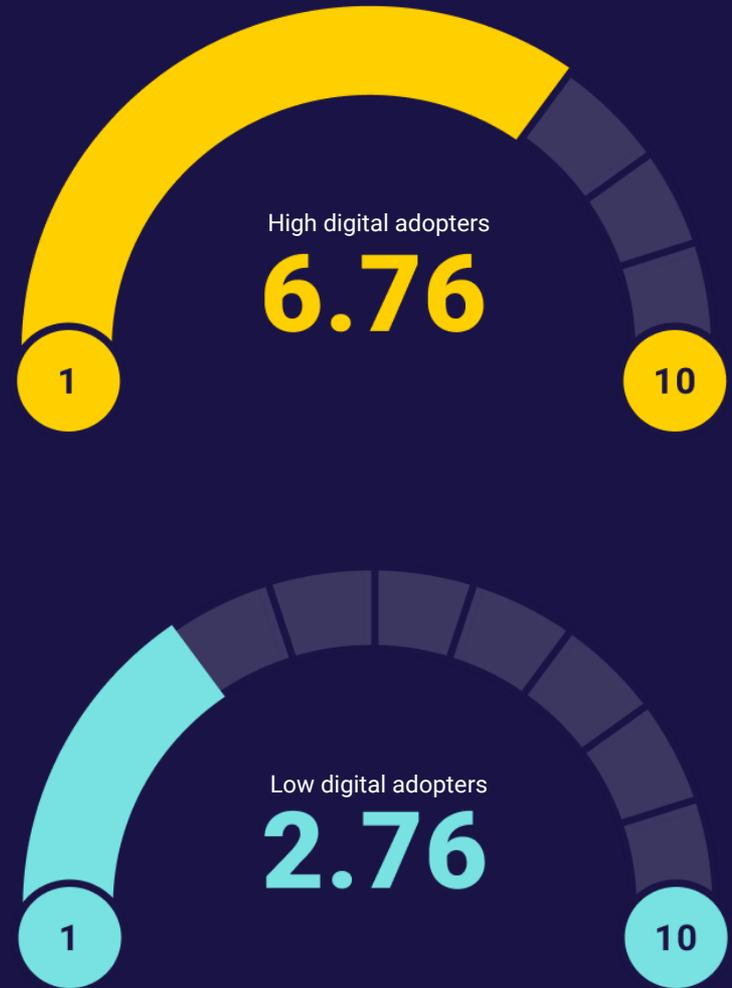


Agent for the Future Index

This report introduces the inaugural Agent for the Future Index, a quantitative assessment of the state of digital transformation in the independent agent channel.

To better understand the variation of digital adoption across the IA channel, survey respondents were broken out into three groups – low, medium and high digital adopters. Each of group was then scored on a 10-point scale based on the number and complexity of the digital tools their agency used.

Agencies classified as low digital adopters scored an average of 2.76 while high digital adopters scored an average of 6.76. These scores show the broad range of how different independent agents use digital and highlight a significant opportunity for all agencies to more fully embrace digital capabilities.



High Adoption = High Growth

Agencies that are high digital adopters tend to grow faster than those that are low adopters.

Year-over-year, low digital adopters grew revenue 7.4% while high adopters grew 12% – equating to a more than 60% higher growth rate for highly digital agencies

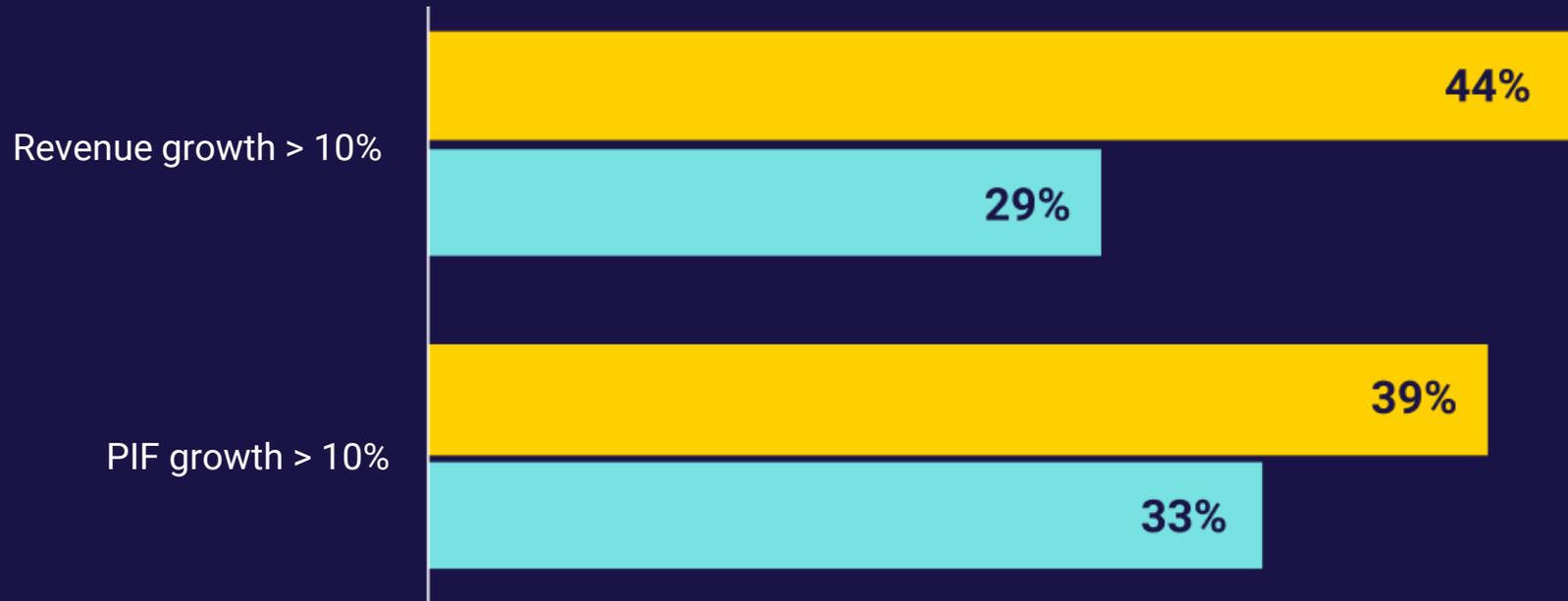
Interestingly, there was no correlation between digital adoption and agency size, location or focus. Urban and rural, small and large, personal lines and small commercial lines agencies are all capable of adopting the digital tools that help their agencies grow.

60%

greater lift in revenue growth for high digital adoption agencies than their less digital counterparts

Agencies that adopt digital grow faster

● High digital adopters ● Low digital adopters



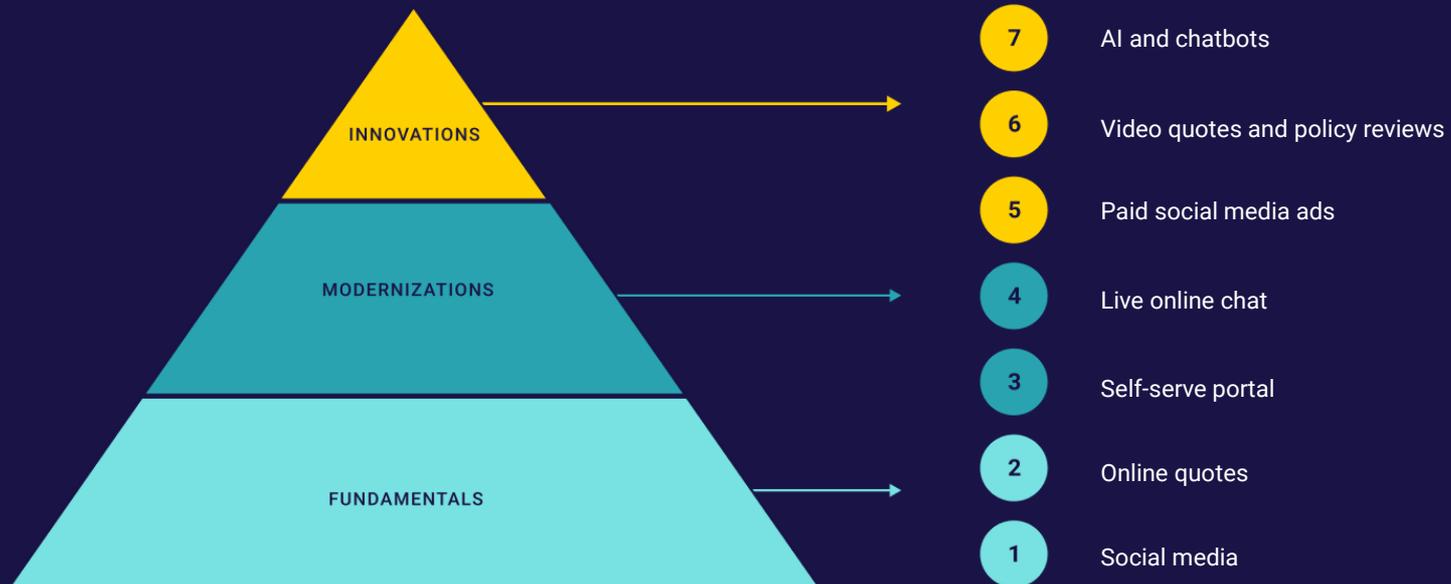
Seven Revenue-Driving Capabilities

The Agent for the Future Index analyzed more than 20 digital capabilities.

Among the digital tools and tactics analyzed, there were seven capabilities that were highly correlated with revenue growth. These opportunities span the range of complexity from fundamentals, to modernizations, to innovations.

These seven capabilities provide a path forward for what agencies should prioritize on their journey to becoming an Agent for the Future.

However, as agents look at which capabilities to invest in, they should first think through where they are in their digital adoption journey. The tools build on each other, forming a hierarchy of digital capabilities.



Building blocks of the digital hierarchy

Fundamentals

Fundamentals are easier to implement and have been widely adopted across the independent agent channel – by both high and low adopters. These include tools such as email, e-signature and texting, which have become table stakes for doing business.

Modernizations

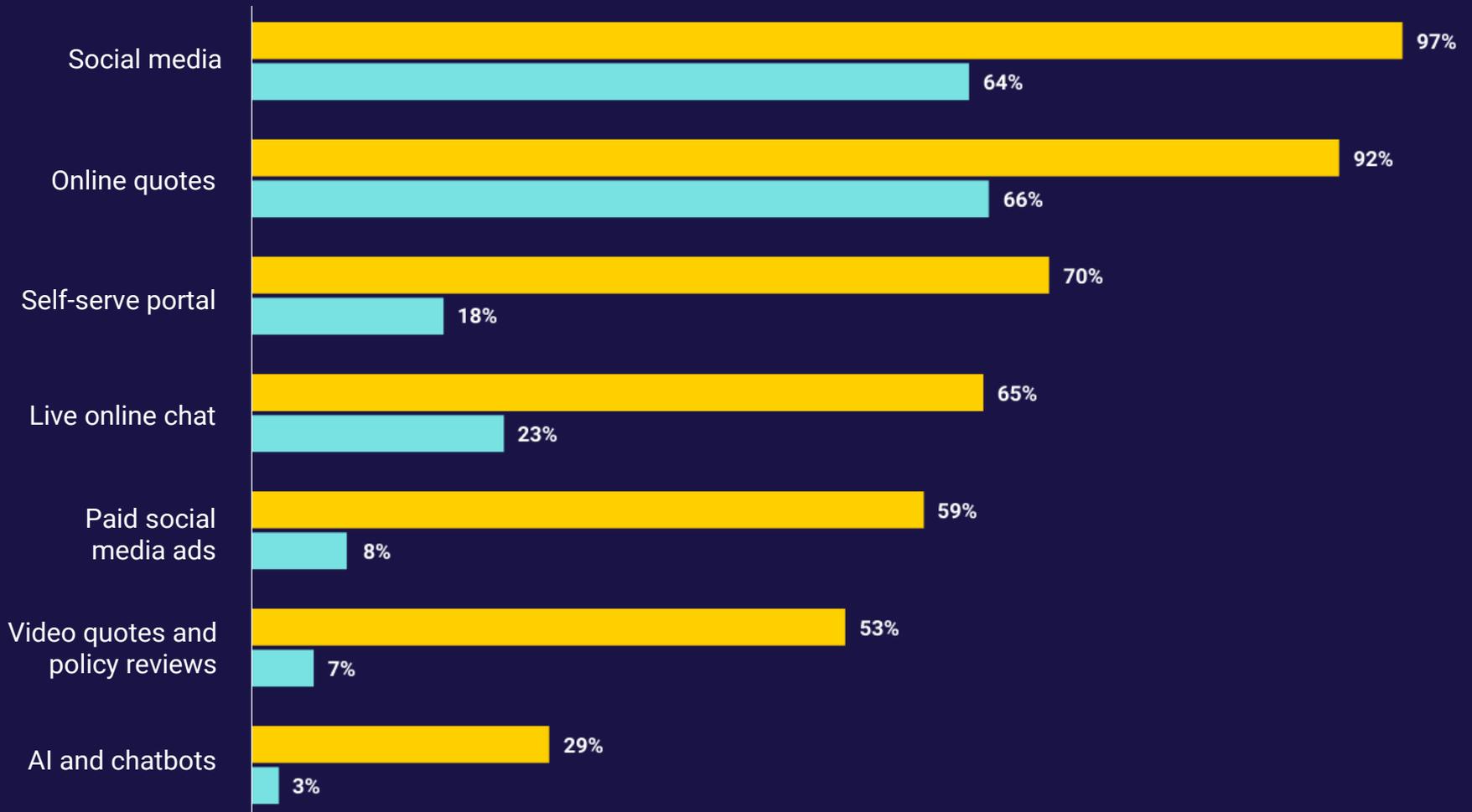
Modernizations are slightly more advanced and may require more time and money to implement. These tools allow agencies to reach a wider audience of prospects and communicate with their customers in more personalized ways. In the modernizations section, there is a growing gap between high and low adopters. For example, 76% of high adopters used search engine optimization (SEO), compared with only 15% of low adopters.

Innovations

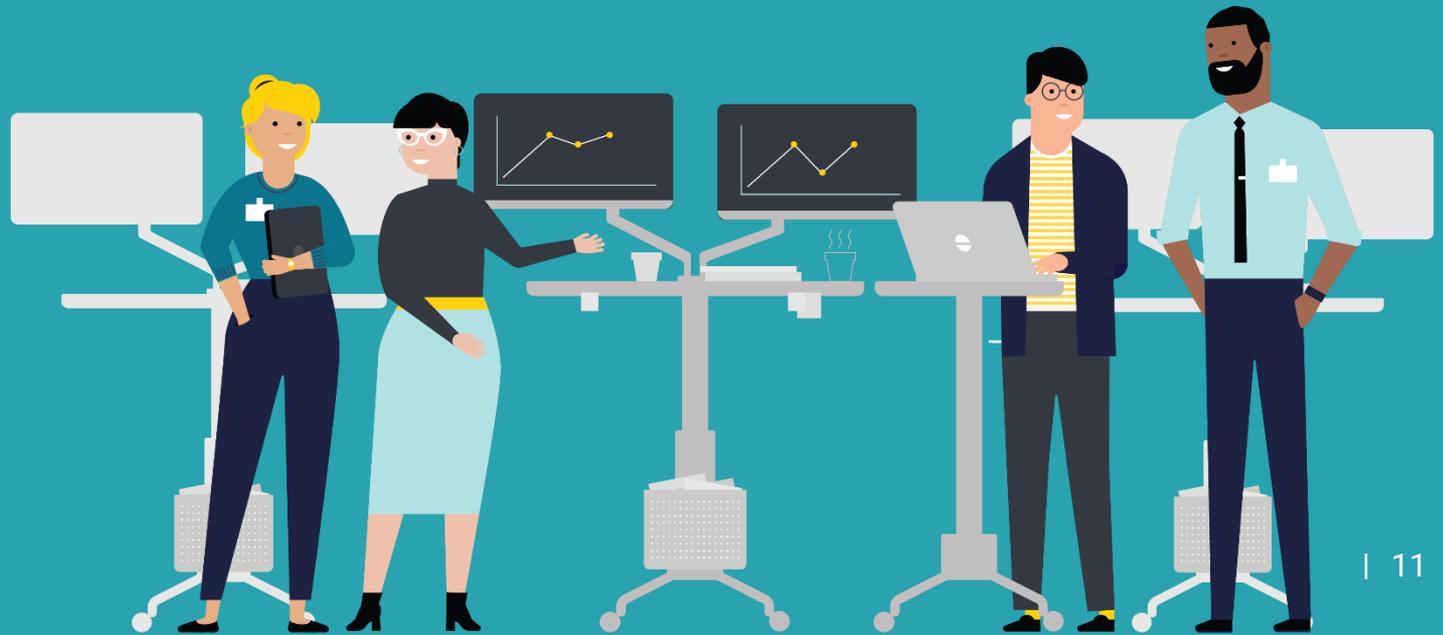
Innovations include the most complex, highest investment tools. Many of these tools build off other digital capabilities and may require some expertise to implement. For example, to effectively use paid social platform ads, an agency would need to have a strong social media presence and the tools to know how to create and target advertisements on each social channel. The tools in this category represent the most significant room for growth in the independent agent channel.

Digital tools used by high vs. low adopters

● High digital adopters ● Low digital adopters



Digital marketing



Marketing hits its tipping point in the transition to digital

Traditional ways of doing marketing are rapidly declining.

More than 70% of agents report that they no longer invest in TV, radio, yellow page advertisements or paper newsletters.

Meanwhile, digital marketing is growing among all agencies. More than half of all agents are prioritizing digital marketing.

While marketing plans differ between high and low digital adopters, both want to invest more in digital marketing – 81% of high adopters and 48% of low adopters plan to dramatically or somewhat increase their digital marketing efforts.

A quarter of low adopters say they don't do any digital marketing and do not plan to, compared with only 2% of high adopters.

Agencies that plan to increase their digital marketing efforts

High digital adopters

81%

Low digital adopters

48%

What agents have to say about marketing in a digital world

As COVID-19 made traditional networking and face-to-face interactions more difficult throughout 2020, agencies leaned on digital to generate leads and keep in touch with clients.

Asked how digital marketing impacted their agency in the past year, many survey respondents said their agency received more business from digital marketing efforts than any year prior.

“We continue to see an increase in sales from our digital marketing. The majority of our sales in 2020 have come from social media and digital marketing.”

“[Digital marketing tools] have kept us in front of our community and clients. Our business has grown very much in 2020 and we feel it's because of our Facebook presence.”

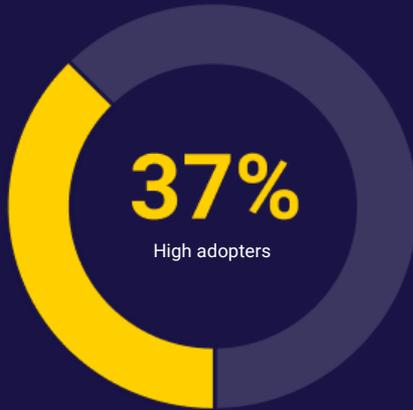
Agencies that already had a strong digital marketing presence in place felt it gave them an advantage

“It was important to have [the tools] set up before, so we could use them efficiently during the lockdown. This gave us a leg up on other agencies in the area and it showed our clients that we were still there to help them.”

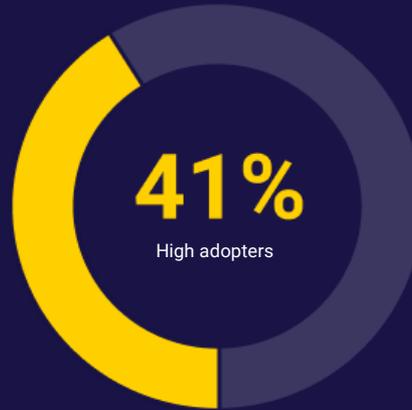
Agents and brokers plan to continue investing more in digital marketing after the pandemic. Of those who said they plan to increase their digital marketing efforts, both high and low digital adopters plan to focus on email marketing and Facebook. But, again, as the capabilities get more complex and time-intensive, the gap grows between high and low adopters.

Marketing tactics high vs. low adopters plan to use more in the next year

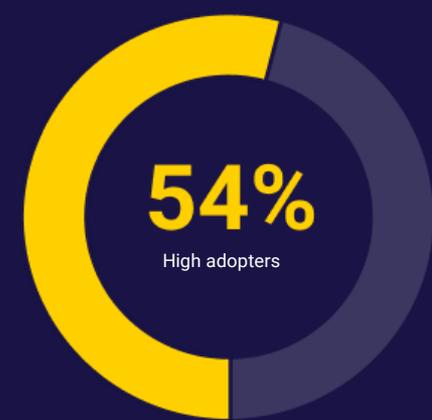
Google AdWords



Marketing analytics



Agency blog



The untapped video opportunity



Video as a sales and service tool

Video quotes and policy reviews are one of the seven revenue-driving digital capabilities, yet, less than half of high adopters and less than 10% of low adopters said they plan to start or continue using them in 2021.

Slightly more plan to use video calls to meet with prospects and current clients (51% of high adopters and 11% of low adopters).

Percent of agencies that will start or continue to use video for quotes and policy reviews in 2021

High digital adopters

44%



Low digital adopters

9%

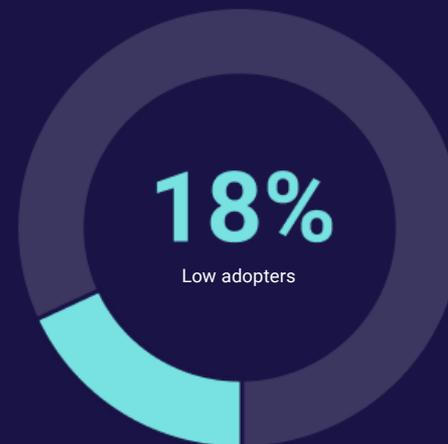
Video for marketing

Of the agents that plan to increase their digital marketing investments, 55% of high adopters and 18% of low adopters plan to focus on recorded video content on their website, YouTube or other channels.

All this shows that video is still an underutilized opportunity among independent insurance agents.

Agents that do use video say it helps them bring a personalized touch to digital interactions with clients.

Agencies that plan to use recorded video as a marketing tactic





“ People like to do business with people they know, like and trust, and video gives clients a sense of an agent far beyond what they can get from a still photograph or written words.

ASHLEY ABRAMS

Agent and marketing manager,
McClain Insurance services

Customer & employee experience



High digital adopters can invest more in other areas of the business

High digital adopters and low digital adopters have different needs for success in 2021. Digitally savvy agencies want to prioritize business-critical objectives, while low digital adopters are focused more on incremental updates to their digital presence.

High adopters are working on improving the digital tools they have in place and using them to drive leads. They recognize that they will have to educate customers on using those new digital tools to do business with them, but trust that digital capabilities will ultimately improve the client experience.

But high adopters recognize that as the world shifts to digital, they need to focus on finding creative ways to connect in their community as well as in-person.

All agents want to engage with their communities – 53% of agents said they want to maintain community engagement as part of their marketing efforts, and 33% said they want to increase or start community engagement.

High adopters are also hiring more than low adopters. Twice as many high adopters as low adopters said they had increased hiring producers in the last year (26% vs. 13%). The gap between high and low was even larger when it came to other roles. Twenty-eight percent of high adopters had increased hiring CSRs, compared with 8% of low adopters, and 16% had increased hiring marketing specialists, compared with only 1% of low adopters.

Top 5 priorities for high digital adopters



1

Educating our customers about new ways of working with our agency



2

Extending our online presence for marketing



3

Expanding our team



4

Connecting virtually in the community since in-person is harder

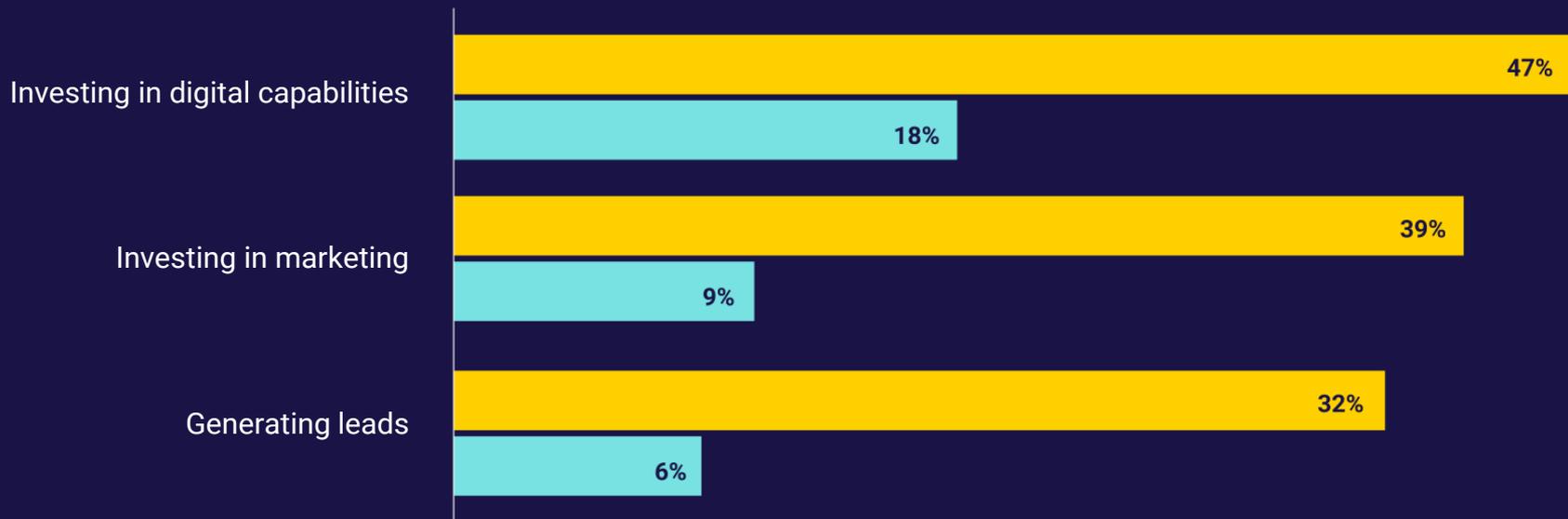


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Implementing/improving online business tools such as e-signature, cloud-based systems, etc.

Activities agencies have increased in the last year

● High digital adopters ● Low digital adopters



In the last year, high adopters have hired more than low adopters

● High digital adopters ● Low digital adopters

Hiring producers



Hiring CSRs



Hiring marketing specialists



Breaking Boundaries

Agencies that have embraced digital are better able to serve clients remotely and therefore are less bound by their physical location. Almost half of high digital adopters said they increased the geographic area in which they acquire new clients and hire talent, as opposed to just 12% of low adopters. Agents said that a digital presence allowed them to reach a larger audience.

“ We have a broader reach across our state as opposed to just the four cities and towns we have offices in. ”

“ [Digital] is opening the door to clients beyond our physical reach. It is helping us have access to individuals in other states as well. ”

Agencies that say they have increase the geographic area in which they acquire new clients

High digital adopters

47%

increase



Low digital adopters

12%

increase



“ Taking your agency digital may seem complicated, but I wholeheartedly believe in keeping things simple ... Once you have the core tools in place, the first step toward becoming more digital is simple: Stop putting it off. Customers will do business with you how you ask them to do business if you set the expectation and communicate the change.

ERIN NUTTING

Owner of digital agency,
Integrity Insurance Services

Conclusion

5



The independent agent channel is holding strong

At Liberty Mutual and Safeco Insurance, we believe the future is bright for independent insurance agents.

Customers value the expert advice agents bring and the deep relationships they can have with an agent.

Digital capabilities will never replace human-to-human relationships, but well-implemented digital tools can help augment those relationships and streamline the customer experience.

As seen in this report, there is a wide variation in digital adoption in the independent agent channel.

However, all agents are starting to see the importance of digital capabilities to help them serve their customers.

COVID-19 accelerated the pace of digital transformation. At the height of the pandemic, 78% of agents said some or all of the employees in their agency were working remotely, as opposed to just 35% before COVID-19 hit. And there's no going back. Roughly half of agents said employees will continue working remotely after COVID-19. Many agencies had to adopt new digital tools to enable employees to work from home and continue to serve customers remotely.

This research showed that the shift to digital is largely positive for independent agencies.

Moving forward, we expect to see continued digital adoption across the independent agent channel. If agents can continue to build personal relationships with customers while also offering customers the digital capabilities that allow for easy ways of doing business, they will continue to thrive long into the future.



“ While we know Independent agents were built to evolve, and many are approaching this latest challenge with the same sense of adaptability that has allowed the channel to thrive for more than a century. We at Liberty Mutual and Safeco are here to help IAs push the boundaries of what is possible by offering the resources and actionable advice they need to win with digital.

TYLER ASHER

President of independent agent distribution, Liberty Mutual and Safeco

How Liberty Mutual and Safeco Help IAs Win with Digital

Agent for the Future is a free resource Liberty Mutual and Safeco offer to help lift up the entire independent agent channel. We regularly release [proprietary research](#) and e-books, such as the two-part [Digital Accelerated](#) series, publish [agent stories](#) and expert interviews, post fun quizzes and other interactive content, as well as produce the annual [Agent for the Future Award](#). We believe digital is the future of the IA channel, and deliver future-looking content to help move you forward on your journey to becoming an Agent for the Future.

Be sure to sign up for our [mailing list](#) to get notified when new content and resources are released.

For **Liberty Mutual and Safeco-appointed agencies**, we provide ongoing training, resources and support designed to help you and your agency grow, including many focused on helping you bolster your digital presence. Safeco agents can visit [Sell & Grow](#) on SafecoNow and Liberty Mutual agents can visit [Helping You Succeed](#) to access all the great resources available to you.

Any questions? Feel free to email us at agentforthefuture@safeco.com.

Methodology

The Rise of the Digital Insurance Agency report surveyed 596 US-based independent agency principals, producers and CSRs about the impact of COVID-19, the current state of their agency and their digital priorities over the next year. The research was conducted online by in-house Liberty Mutual and Safeco Insurance research experts in October 2020.

Survey respondents included independent agencies that sell personal lines, small commercial or a combination of both, with results indicating no significant variance in digital adoption based on the type of policies an agency sells.

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About **Liberty Mutual**

In business since 1912, and headquartered in Boston, today we are the sixth largest global property and casualty insurer based on 2019 gross written premium. We also rank 77th on the Fortune 100 list of largest corporations in the U.S. based on 2019 revenue. As of December 31, 2020, we had \$43.8 billion in annual consolidated revenue.

We employ over 45,000 people in 29 countries and economies around the world. We offer a wide range of insurance products and services, including personal automobile, homeowners, specialty lines, reinsurance, commercial multiple-peril, workers compensation, commercial automobile, general liability, surety, and commercial property.

For more information, visit www.libertymutualinsurance.com.

About **Safeco**

In business since 1923, Safeco Insurance sells personal automobile, homeowners and specialty products through a network of more than 10,000 independent insurance agencies throughout the United States. Safeco works hard to be the carrier champion of the independent agent. In a survey conducted in 2020 by Channel Harvest, independent agents named Safeco as the carrier that does more than others to support the overall growth of agencies. Safeco is a Liberty Mutual Insurance company, based in Boston, Mass.

For more information about Safeco Insurance, go to www.safeco.com.

