

On the Highway to the Agency of the Future

By Bruce Cochrane, President, Renaissance Alliance

If you're a forward-looking independent agent, over the last few years you've been diligently launching your blogs and your Facebook accounts, you've been putting online auto quoting systems in place, and you've started engaging with your customers via a plethora of mobile devices. Good for you. But if you thought that the chief challenge Google posed to your agency was how to get at the top of the search results, let me introduce you to Google's game-changing driverless cars. Here's my prediction: By the year 2020, the auto insurance market as we know it will be in rapid free-fall.

Driverless or autonomous vehicles — robot cars for short — are no longer the Flash Gordon fantasy stuff of the future. The future is now. These vehicles are equipped with sophisticated collision avoidance systems that interact with their surroundings using radar, GPS and computer vision. Early test vehicles have logged more than a half million driverless miles without a single accident. Correction. There was reportedly one accident, but it occurred when a human took over the controls.

And then there's automated traffic law enforcement, with video cameras going up at intersections across the

country to ticket stop light runners and government traffic safety programs all designed to modify driving behavior and drive down collisions, bodily injury and deaths. Who could be against this? Everyone wins! Except insurance agents.

We'll all benefit by safer roadways and the heightened convenience that this new technology enables, but what happens to your agency revenue model when faced with the virtual elimination of risk for one of your cornerstone lines? With collision risk near zero, premiums will plummet and commissions evaporate. At that point it's likely that auto coverage will be commoditized, a "throw-in" or an "add on," perhaps purchased with a vehicle as a type of extended warranty? At what point on the premium minimization/commoditization curve is the agent's role deemed superfluous? What happens when what agents need to charge their customers for the services they deliver costs more than the actual premium?

If you think we're years away from this reality, think again. Nevada, California, and Florida have recently passed laws permitting driverless cars, and a half-dozen other states are lined up to get on this highway to the future. Google co-founder Sergey Brin

predicts that, "driverless cars will be a reality for ordinary people within five years."

Finally, there's government intervention. If government can create a medical insurance "exchange," how far of a stretch is it to envision lawmakers creating an auto insurance exchange?

So, the auto insurance market will free fall. The only questions are when, how fast, and how far it will fall?

Change happens with blinding speed. Things we thought would "always be" can be erased in the blink of an eye by *disruptive innovation*. And the most costly disruptions of all occur when things we take for granted stop working. Are independent agents prepared for the kind of reinvention it will take to succeed in the insurance world of tomorrow, which is fast approaching?

What will the agency the future look like in our Flash Gordon future?

Independent property and casualty agents face increasing vulnerability and the very real potential for becoming immaterial or irrelevant from forces over which we have absolutely no control. While insurance agencies have always faced threats, technology

has turbocharged the pace of change. Can the independent insurance agent industry exist in this new world economic order? We answer with an emphatic “yes,” but not as we know the model today. The need for independent agents to broaden their economic base has never been more evident — and that’s what consumers are clamoring for, as well.

We can’t wait for change to become obvious because by then it’s too late. True leaders are game changers who don’t just *adapt* to change, they shape it. Each advancement opens up a new world of possibilities, one advancement leads to another, and the faster the rate of change, the deeper and more profound the opportunities.

The agency of the future may not even be an “insurance agency” but, perhaps, an entirely new business model.

The agency of the future will:

- Be more virtual, nimble and dynamic, and less concerned with bricks and mortar. It’s all about meeting customer needs when, where, and how they want them met.
- Offer multiple services, broadening and deepening its economic base. The new equation for success is one with a broad base.
- Push the envelope of innovation to create competitive advantages and generate intellectual capital.
- Drive economies and create scale to drive down the cost of doing business and deliver more services with the same dollars.
- Be committed to a continuous (perpetual) improvement process.
- Develop human capital with bright, energetic customer-focused employees who readily accept and embrace change.

- Delegate/offload/outsource non-mission critical functions/workflows to drive efficiencies, maximize resources and focus on what’s really important. Retain only what you must or need to do yourself and delegate everything else to others who can do it faster, better and at a lower cost.
- Commit to effective and aggressive use of technology.
- Master data management to continually drive agency metrics. If you can’t do it, hire someone who can. It’s that important.
- Push the digital marketing envelope.

We need to begin today to build toward the reinvention of our industry before circumstances or others force us down a path for which we are either unsuited or unprepared. Motivation can come from the half empty cup or the half full cup; from the drive to succeed, or from the fear of failure: Either one gets you to the same place.

Most importantly, the agency of the future will have a laser-like focus on mastering the two primary mission-critical functions, which are fundamental to any service business: **Producing sales and delivering raving fan customer service.**

Agencies of the future must develop new means to market services and increase their sphere of influence. In addition to engaging in the online marketplace through concerted engagement with social media, be sure to cover your “real world” bases through expanded interactions with trade associations, allied service providers and distributors. Focus on deepening your relationships with current customers and finding new opportunities to solve their problems and meet their needs.

Creating Raving Fans

Consumers are smarter, more sophisticated, and more demanding than ever before. Plus, technology affords them choices at the click of a mouse. The traditional agency Value Triangle of Price, Coverage and Service is increasingly becoming more difficult to sustain. Price gets cheaper and cheaper, and with the “me-too” nature of our industry, insurance companies are leap-frogging each other on an inexorable path to the eventual true “all risk” policy. When Price and Coverage differentiations diminish, what happens to the agent’s traditional Service value proposition?

Through research, we learn that insurance buyers seek expertise, trustworthiness, and efficiency. They demand ease of doing business and responsive service. And in today’s increasingly frenetic world, consumers yearning to simplify their lives are seeking ways to consolidate service providers.

Will you be consolidated or be the consolidator? To avoid the latter and ensure the former, be aggressive about offering clients expanded value-added services beyond pure insurance. The age of single service delivery is dead. Smart agencies will quarterback the delivery of multiple services and become Service Delivery “Hubs.”

The Scale Factor

In the future, we predict more and more agencies will move to agency aggregation of one variety or another, not only to gain access to a wider sphere of markets, but to leverage their collective strengths and scale to deliver a new spectrum of value to the insurance customer.

Scale enables efficiencies, which fuels the creation of new competitive advantages and feeds the value proposition, generating more sales, thus increasing even more scale and so on. In this ever revolving cycle of continuous improvement, the whole becomes greater than the sum of its parts.

Simply sharing markets and profit sharing won't cut it. Successful aggregations will use scale and leverage to build long term sustainable value, enabling agencies to make the fundamental reinvention necessary for lasting success.

Moving Forward

Challenges abound, but with them come opportunities. But we can't afford to just kick the can down the road because at our level, there are no bailouts. Those who take it for granted that the basic structure of risk and

the role of independent agents and their carriers will always be as they have been will assuredly lose. Survival of the fittest has never been more relevant; however, in today's dynamic world the fittest must also be the quickest.

We remain optimistic about the role and importance of the proactive agent's future. We need to begin today to build toward the reinvention of our industry before circumstances or others force us down a path for which we are either unsuited or unprepared. Motivation can come

from the half empty cup or the half full cup; from the drive to succeed, or from the fear of failure: Either one gets you to the same place. Rev up your engines and get on the highway to the future! ■

J. Bruce Cochrane, CIC, is president of Renaissance Alliance, a Wellesley, Mass.-based insurance management organization which provides a network of services to New England-based independent insurance agencies focused on building the agency of the future. He can be reached at bruce@renaissanceins.com.