Are carriers ready to ditch the independent agent channel?

by Caitlin Bronson | Jun 20, 2016

2016 may well be remembered as the year of insurance startups.

Already, a record 24 seed or Series A deals for technology-based insurance companies have been completed in the United States, and investors continue to express interest in startups promising to disrupt a $1 trillion industry. And the area they see most ripe for disruption?

The insurance broker distribution channel.

Citing an aging workforce, changing customer expectations and the success of direct-selling models in other industries, startups and investors feel the days of the independent broker are numbered. It's hardly a new phenomenon; more unconventional players like Overstock.com began peddling insurance in 2014, and Wal-Mart made a splash the same year by announcing it would offer auto and health insurance through its online platform.

Direct sales, too, have been appealing – not just for auto insurers, but for groups like Berkshire Hathaway that see promise in exploring new avenues to reach an increasingly tech-oriented customer. It's hardly any wonder, when evidence from Morgan Stanley Research suggests companies could achieve a 21% reduction in combined ratio by automating the sales process and incorporating big data analysis.

These trade winds have some insurance agents understandably anxious to know their carriers' true loyalties – are they simply paying lip service to the broker distribution channel while planning a future comprised of direct sales

and robo-agents?

The answer is no, according to Lisa Woodley, vice president of experience design with NTT DATA. Not only are automated agents a long, long way off (if they ever materialize), insurers still recognize the value of the traditional channel.

"I tend to be very skeptical when I see hysterical headlines saying your next agent will be a robot," said Woodley, who works with carriers to improve their technological offerings. "Are we really there yet? I'm not so sure."

Artificial intelligence is indeed playing a larger role in how carriers and agents interact with policyholders, but human emotion and authenticity – which Woodley calls the "core of the insurance industry" – cannot be replicated.

 "Automation is great for mundane tasks like crunching numbers and analyzing data, but when you suffer a loss, or you experience frustration, confusion or fear, you probably want to talk to someone," she said. "And it would be great if it's someone you have a relationship with."

Insurance carriers recognize that strength and continue to invest in the channel for those reasons. Increased competition from organizations like Insurify have them anxious to innovate, however, and communicating that desire to agents – without causing fear or resentment – is difficult.

"I think carriers are thinking competitively and asking, 'Am I going be disrupted by these companies that can quickly and easily come up with quotes and sell a policy?'" said Woodley. "But then they're saying, 'If I invest in that, what message am I sending my agents? Am I telling the agent I don't need them anymore?'

"Carriers recognize they need the agent, but they want to figure out how to give customers what they want while still showing agents that they love them."

It's a task that still needs perfecting, but recognizing certain "trigger points" in the lifespan of a personal or business account can be key. Deconstructing the complex language of a new policy, pointing out auto insurance discounts for a family with a newly minted teenage driver, or supporting a business through a loss are all trigger points that require the personal touch of an agent.

And artificial intelligence can help with these tasks. By integrating agency and carrier data, software applications can create alerts for such account milestones and aid the agent in being less of a salesperson and more of a trusted guide.

Developing the technology to enable these capabilities is still problematic – an NTT DATA survey found that the number one request of agents was for carriers to better integrate into agency management systems – but the hypotheticals look promising in building an industry where both agents and digital advancement thrive, Woodley says.

"What I always say is to let computers do what they do best and let agents do what they do best," she said.